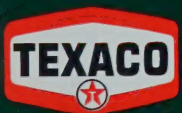


AR25

TEXACO INC.



ANNUAL
REPORT
1970

Highlights

Financial	1970	1969
Gross income	\$ 6,777,340,000	\$ 6,265,347,000
Net income	\$ 822,016,000	\$ 769,804,000
Average number of shares outstanding	272,344,000	272,480,000
Per share	\$3.02	\$2.83
Cash dividends paid	\$ 435,768,000	\$ 422,345,000
Per share	\$1.60	\$1.55
Stockholders' equity	\$ 6,279,207,000	\$ 5,896,811,000
Total assets	\$ 9,923,786,000	\$ 9,281,573,000
Equity in total assets of nonsubsidiary companies	873,000,000	880,000,000
Total	\$10,796,786,000	\$10,161,573,000
Capital and exploratory expenditures	\$ 906,081,000	\$ 791,858,000
Operating— including equity in affiliates		
<i>Barrels a day</i>		
Gross production of crude oil and natural gas liquids:		
Western Hemisphere	1,354,000	1,291,000
Eastern Hemisphere	1,874,000	1,696,000
Total worldwide	3,228,000	2,987,000
Refinery runs:		
Western Hemisphere	1,521,000	1,479,000
Eastern Hemisphere	1,198,000	1,103,000
Total worldwide	2,719,000	2,582,000
Petroleum product sales:		
Western Hemisphere	1,645,000	1,603,000
Eastern Hemisphere	1,272,000	1,136,000
Total worldwide	2,917,000	2,739,000
<i>Thousands of cubic feet a day</i>		
Natural gas sales:		
United States	3,834,000	3,464,000
Outside United States	192,000	197,000
Total worldwide	4,026,000	3,661,000

Texaco Inc.

135 East 42nd Street, New York, N. Y. 10017

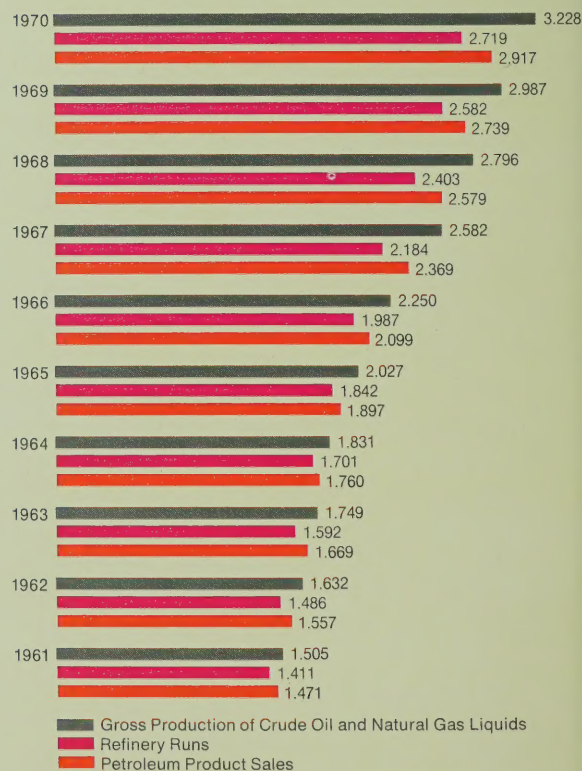
Annual Report for 1970 Texaco's 69th Year

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The use in this report of such terms as *Texaco, Company, organization, we, us, our*, and *its*, when referring to Texaco Inc. or to subsidiaries and affiliates either individually or collectively, is only for convenience and is not intended to be an accurate description of corporate relationships.

The Annual Meeting of Texaco stockholders will be held at the Sheraton-Plaza Hotel, Boston, Mass., on Tuesday, April 27, 1971. A formal notice of the meeting, together with a proxy statement and proxy form, will be mailed to stockholders under separate cover.

Balanced Operations (millions of barrels a day)





Texaco Denmark, pictured nearing completion in the country for which she was named, is one of many mammoth tankers now in service or on order.

Directors

Arleigh Burke
Admiral, U. S. Navy (Ret.),
Counselor to Center for Strategic
and International Studies,
Georgetown University, Washington, D.C.

Marion J. Epley, Jr.
Chairman of the Board of Texaco Inc.,
New York, N. Y.

Laurie W. Folmar
Senior Vice President
Texaco Inc., New York, N. Y.

Donald M. Graham
Chairman of the Board and
Chief Executive Officer of the
Continental Illinois National
Bank and Trust Company of
Chicago, Ill.

Maurice F. Granville
President of Texaco Inc.,
New York, N. Y.

Henry U. Harris
Chairman of the Board of the
stock brokerage firm of
Harris, Upham & Co., Incorporated,
New York, N. Y.

Gilbert W. Humphrey
Chairman of the Board of
The Hanna Mining Company,
Cleveland, Ohio

Augustus C. Long
Chairman of the Executive Committee
and Chief Executive Officer of
Texaco Inc., New York, N. Y.

Lester J. Norris
Honorary Chairman of the Board
of the State Bank of
St. Charles, Ill.

George Parker, Jr.
Attorney, San Antonio, Texas

Ogden Phipps
Chairman of the Board of
Bessemer Securities Corporation,
New York, N. Y.

Dwight P. Robinson, Jr.
Consultant, Massachusetts
Financial Services, Inc.
(investment adviser to
Massachusetts Investors Trust,
Massachusetts Investors Growth Stock Fund,
and Massachusetts Income Development
Fund), Boston, Mass.

Robert V. Roosa
Partner in the private banking firm of
Brown Brothers Harriman & Company,
New York, N. Y.

Langbourne M. Williams
Chairman of the Executive Committee of
Freeport Sulphur Company, New York, N. Y.

Executive Committee

Arleigh Burke
Marion J. Epley, Jr.
Maurice F. Granville
Henry U. Harris
Augustus C. Long
Lester J. Norris
Dwight P. Robinson, Jr.
Langbourne M. Williams

Stock Transfer Offices: Texaco's offices in New York;
Continental Illinois National Bank and Trust Company
of Chicago; Montreal Trust Company, Toronto

Registrars: The Chase Manhattan Bank, N. A., New York;
The First National Bank of Chicago;
The Royal Trust Company, Toronto



Augustus C. Long
Chairman of the Executive Committee
and Chief Executive Officer



Marion J. Epley, Jr.
Chairman of the Board



Maurice F. Granville
President

To the Stockholders:

The Company continued its steady growth in 1970 and its operations reached new high levels. Net income, while higher than in 1969, was affected by the disruption of normal patterns of world supply and by increased costs of doing business both in the United States and abroad. Of particular impact on U.S. earnings was the new tax law which terminated the investment tax credit and severely reduced the Company's allowances for percentage depletion. Elsewhere we were also confronted with higher taxes, including an increase in tax rate in Venezuela from 52% to 60% and, late in the year, an increase in rate in Libya and Middle East countries from 50% to 55%.

Despite these adverse factors, consolidated net income amounted to \$822,016,000, compared with \$769,804,000 in 1969—an increase of 6.8%. Net income per share was \$3.02, compared with \$2.83 in the previous year.

Net income in the fourth quarter was \$252,545,000, compared with \$217,681,000 in 1969, an increase of 16.0%. This increase was attributable principally to better product prices abroad and in the United States.

Producing, refining, and sales results were at record levels. On a worldwide basis, including Texaco's interests in affiliates, gross production of crude oil and natural gas liquids averaged 3,228,000 barrels a day, 8.1% over 1969. Refinery runs amounted to 2,719,000 barrels a day, an increase of 5.3%. Petroleum product sales were 2,917,000 barrels a day, an increase of 6.5%. Natural gas sales averaged 4,026,000,000 cubic feet a day, an increase of 10.0%.

* * *

Demand for petroleum in the Free World increased 8.0% to 39.6 million barrels a day, a gain about equal to that of 1969. Overall demand for petroleum in the United States averaged 14.7 million barrels a day, an increase of 4.2%. Limitations on the availability of natural gas, coal, and nuclear energy in the United States resulted in an increase in demand for residual fuel oil of 12.2%, compared with an average annual increase of about 5.5% in the previous five years. De-

mand for petroleum in Western Europe increased 10.7% to 12.5 million barrels a day, compared with an increase of 11.1% in 1969, and in Japan 16.4% to 4.0 million barrels a day, on top of an increase of 19.8% in 1969.

In 1971, Free World petroleum demand is estimated to increase 7.6% to 42.6 million barrels a day. Petroleum requirements in the United States are expected to average 15.6 million barrels a day, or 5.6% higher than in 1970.

Requirements for petroleum in the Free World are projected to rise to 68 million barrels a day by 1980. This represents an average annual increase of 2.8 million barrels a day, compared with a yearly growth of 2.1 million barrels a day during the past decade. United States demand is expected to exceed 22 million barrels a day by 1980, and requirements in Western Europe and the other areas of the Free World are expected to almost double to 46 million barrels a day during the same period. In Japan alone, petroleum requirements are expected to be nearly 11 million barrels a day by 1980.

* * *

The year 1970 marked an important turning point for the petroleum industry. A series of unusual events combined to focus international attention on worldwide energy needs. These events included the closing of the Trans-Arabian pipe line, the cutback in Libyan production, the greater demand for fuels, particularly low-sulphur fuel oil and natural gas, and a growing shortage of natural gas supplies in the face of rising demand, due mainly to Federal price controls on the producer. The foregoing were further aggravated by a scarcity of tanker tonnage and higher costs of all kinds.

The prospect of energy shortages, even for short periods, served to underscore the basic relationship between oil and modern life in the Free World. Today the petroleum industry supplies approximately three-fourths of the Free World's energy needs. Yet, in the next 15 years alone, the industry will be called upon to *double* its present production.

To fulfill this tremendous responsibility, the petroleum industry will be required to invest hundreds of billions of dollars

in exploration, drilling, producing, manufacturing, pipe line, tanker, and distribution facilities. Funds of such magnitude cannot be borrowed in the open market; the larger part must be generated internally. It should be borne in mind that, with the normal growth of industry throughout the world, many companies such as yours, because of their continuing investments of large amounts of capital, must generate higher levels of income in order to achieve even a comparable return on their increased assets. While Texaco's net income in 1970 exceeded \$800,000,000, even a figure of this magnitude represented a return of only 8 cents for each dollar invested in the total assets of the Company, including its equity in total assets of affiliates. If a more adequate return is to be achieved, it will be necessary for prices of petroleum to reflect the true cost of finding, developing, and bringing it to the consumer in the form needed, and thus yield a satisfactory return to the stockholders.

The protection of the environment is of great concern to Texaco, just as it is to all good citizens everywhere. In our operations both on land and at sea, we have been making every effort to minimize the possibility of adverse effects on the environment. During 1970 your Company expended huge sums in research and operations designed to protect air and water resources from the effects of pollution. In addition to research being carried out by Texaco itself, we are participating in industry efforts and with various agencies of the Federal and state governments.

* * *

Three officers reached normal retirement age and retired from active service. They were Wallace E. Avery, Vice President in charge of West Coast operations; Charles H. Dodson, Vice President in charge of Midwest operations; and William G. Copeland, Vice President in charge of the Refining Department—United States.

On September 10, 1970, J. Howard Rambin, Jr., Chairman and Chief Executive Officer, was granted early retirement after 35 years of service with the Company. Following Mr. Rambin's retirement, Augustus C. Long, a member of the Texaco Board of Directors since 1950 and Chairman and Chief Executive Officer from 1956 to 1965, was named Chairman of the Executive Committee and Chief Executive Officer. Marion J. Epley, Jr., President since 1965, was elected Chairman of the Board, and Maurice F. Granville, Vice President and Assistant to the Chairman of the Board, was named to succeed Mr. Epley as President and also elected to the Board.

To meet the challenge of increasing energy needs, to assure efficient and coordinated handling of our worldwide operations, and to strengthen our organization, the position of Senior Vice President was established. Six Senior Vice Presidents were elected, as follows:

Laurie W. Folmar—Worldwide Producing (Mr. Folmar was also elected a Director)

Annon M. Card—Worldwide Sales

John W. Green—Caltex, International Aviation and International Marine Sales

James W. Kinnear—Strategic Planning

John K. McKinley—Worldwide Refining, Petrochemicals, and Supply and Distribution

John I. Mingay—Worldwide Marine and Texaco Canada

At the meeting of the Board of Directors on December 18, 1970, Donald M. Graham was elected to its membership. Mr. Graham is Chairman of the Board and Chief Executive Officer of the Continental Illinois National Bank and Trust Company of Chicago, Illinois.

* * *

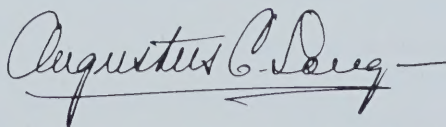
At the close of 1970, a number of labor union contracts expired in the United States and a strike occurred at the Port Arthur refinery. During the one week in 1971 that the strike lasted, the plant was operated by supervisory and professional personnel. The settlement covers a period of two years and provides for substantial increases in wages and benefits.

* * *

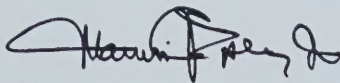
In the pages that follow, we comment on the events of the past year and describe the strong base of our worldwide operations. As your Company enters its 70th year, we are confident that its organization is strong and well prepared to meet the challenges of the future. We express our deep appreciation for the continued loyalty of the thousands of Texaco employees throughout the Free World and for the valued support of the Company's stockholders.

Respectfully submitted,

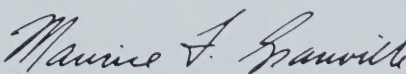
By order of the Board of Directors,



Augustus C. Long, Chairman of the Executive Committee and Chief Executive Officer



Marion J. Epley, Jr., Chairman of the Board

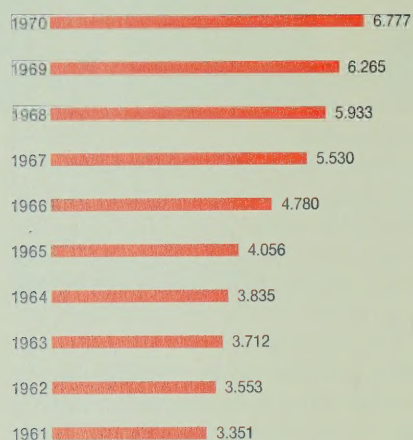


Maurice F. Granville, President

March 10, 1971

Gross Income

Billions of dollars



Total Assets

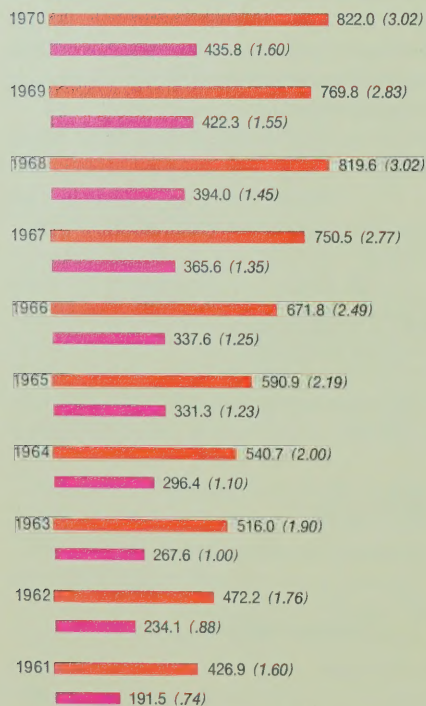
Billions of dollars



Net Income and Cash Dividends

Millions of dollars

(Amount in parentheses in dollars per share)



Capital and Exploratory Expenditures

Millions of dollars



Financial Review of 1970

Earnings and Dividends

Consolidated net income totaled \$822,016,000, or 6.8% more than the \$769,804,000 earned in 1969. On a per share basis, earnings were \$3.02, compared with \$2.83 in 1969. Earnings for the fourth quarter were \$252,545,000, compared with \$217,681,000 for the corresponding quarter in 1969, an increase of 16.0%.

Cash dividends totaling \$1.60 per share were paid to the Company's stockholders, compared with \$1.55 in 1969. Total dividends amounted to \$435,768,000, compared with \$422,345,000 in the previous year. The year 1970 was the 12th consecutive year in which dividend payments have been increased, and the 68th consecutive year in which dividends have been paid.

Gross Income

Consolidated gross income was the highest in Texaco's history. The 1970 total of \$6,777,340,000 was 8.2% higher than the 1969 level of \$6,265,347,000. This gain resulted principally from the increase in operating volumes achieved in all phases of the Company's business and from improved prices, particularly in the fourth quarter.

Costs and Other Deductions

Costs and expenses, including income and other taxes, were \$5,955,324,000, compared with \$5,495,543,000 in 1969, an increase of 8.4%.

Labor costs and the overall prices of materials and services continued to rise as the result of inflation. Transportation costs were higher due to the continued disruption of world supply patterns, and taxes increased significantly. The Company continues to exert every effort to control expenses in a manner consistent with sound and efficient operation.

Taxes

Taxes paid or accrued by the Company and its subsidiaries, both in the United States and abroad, including taxes collected from consumers, exceeded two billion dollars for the third consecutive year. These taxes amounted to \$2,495,335,000, compared with \$2,228,329,000 in 1969, an increase of 12.0%. This was more than three times as much as consolidated net income and twice as much as total payments made to the Company's employees and stockholders.

The substantial rise in taxes reflects the impact of the 1969 Tax Reform Act in the United States, higher crude oil production and product sales, and increases in tax rates by various national and local governments. A portion of the increase in amounts recorded in the income account as provision for income taxes reflects changes which had no effect on net in-

come. This involved certain foreign taxes which in 1970 were paid directly by the Company; in 1969 these taxes were paid by nonsubsidiary companies and were reflected in the Company's accounts as a part of the determination of the equity in the earnings of such companies.

Taxes paid or accrued by nonsubsidiary companies, both in and outside the United States, totaled \$1.7 billion. Texaco's share of these taxes, based on its equity interest, was about \$590 million.

Capital and Exploratory Expenditures

Capital and exploratory expenditures by consolidated companies rose 14.4% to \$906,081,000, compared with \$791,858,000 in 1969. About two-thirds of the capital budget was devoted to finding and developing the crude oil and natural gas reserves which represent the basic raw materials essential to the Company's business.

In addition, the Company's equity in the capital and exploratory expenditures made by nonsubsidiary companies totaled \$93,298,000, compared with \$97,579,000 in 1969.

Total Assets

At December 31, 1970, total assets, including equity in the total assets of nonsubsidiary companies, amounted to \$10,796,786,000.

Total assets of the Company and its consolidated subsidiaries were \$9,923,786,000 at year-end, compared with \$9,281,573,000 at the end of the previous year. Of the total assets, approximately \$5,637,000,000, or 57%, were in the United States; \$1,646,000,000, or 16%, in other areas of the Western Hemisphere, and \$2,641,000,000, or 27%, in the Eastern Hemisphere.

The Company's equity in the total assets of nonsubsidiary companies amounted to \$873,000,000, compared with \$880,000,000 at the end of 1969.

Capital and Exploratory Expenditures

	1970	1969
Producing	\$ 583,740,000	\$ 511,668,000
Manufacturing	95,745,000	76,638,000
Marketing	127,146,000	105,437,000
Marine	46,736,000	42,114,000
Pipe lines	16,259,000	11,455,000
Other	7,188,000	7,007,000
Total	\$ 876,814,000	\$ 754,319,000
Investments in and advances to nonsubsidiary companies	29,267,000	37,539,000
Total	\$ 906,081,000	\$ 791,858,000

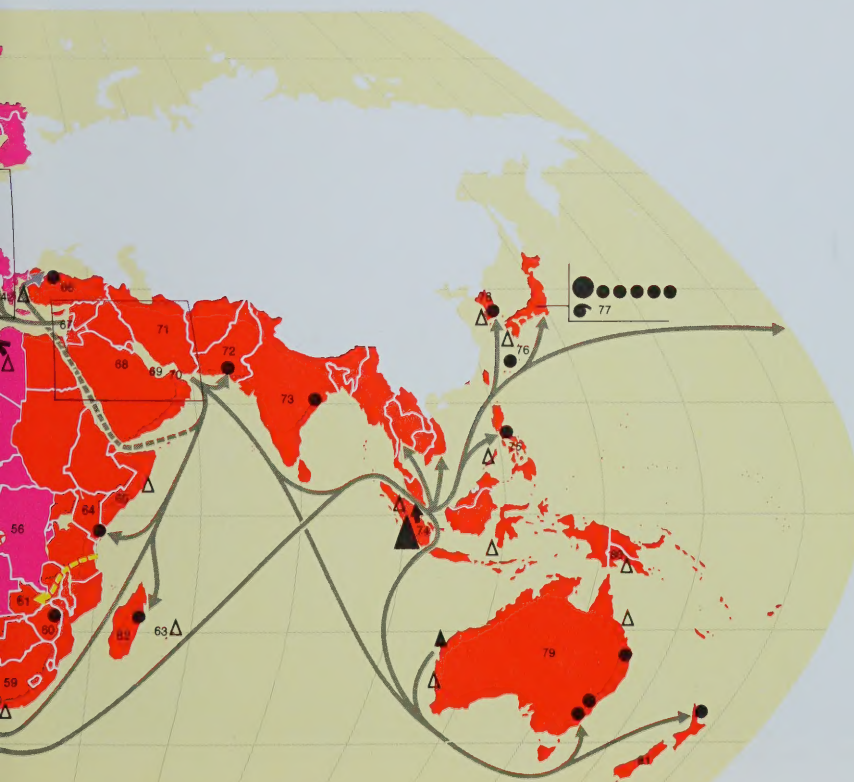
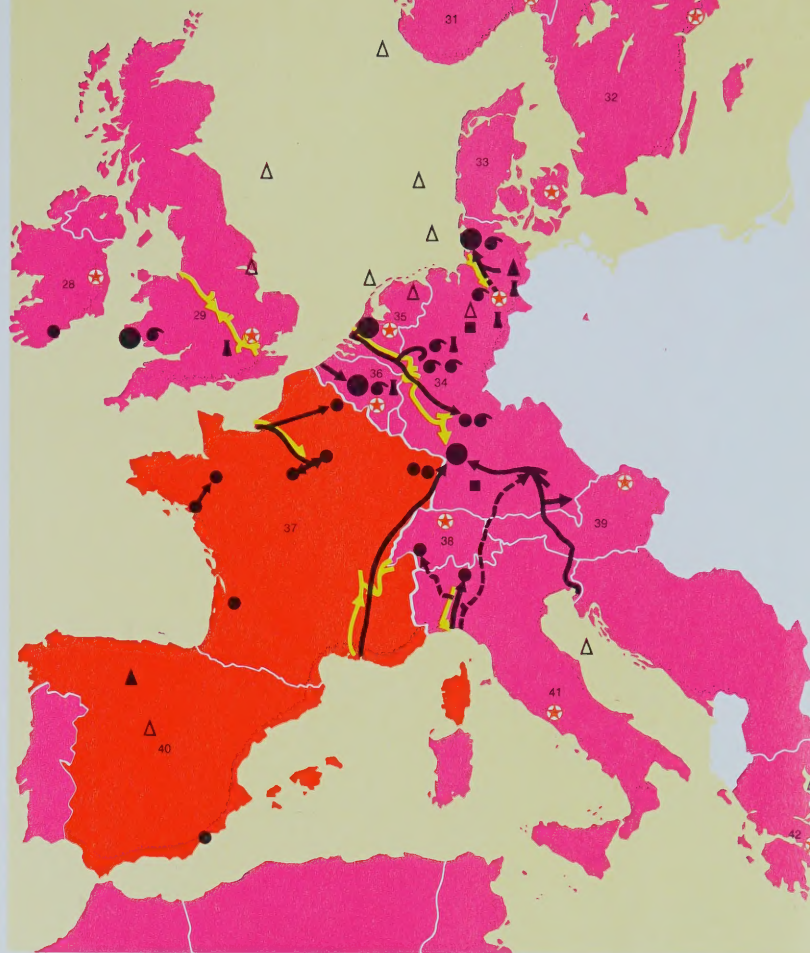


Texaco's Worldwide Operations

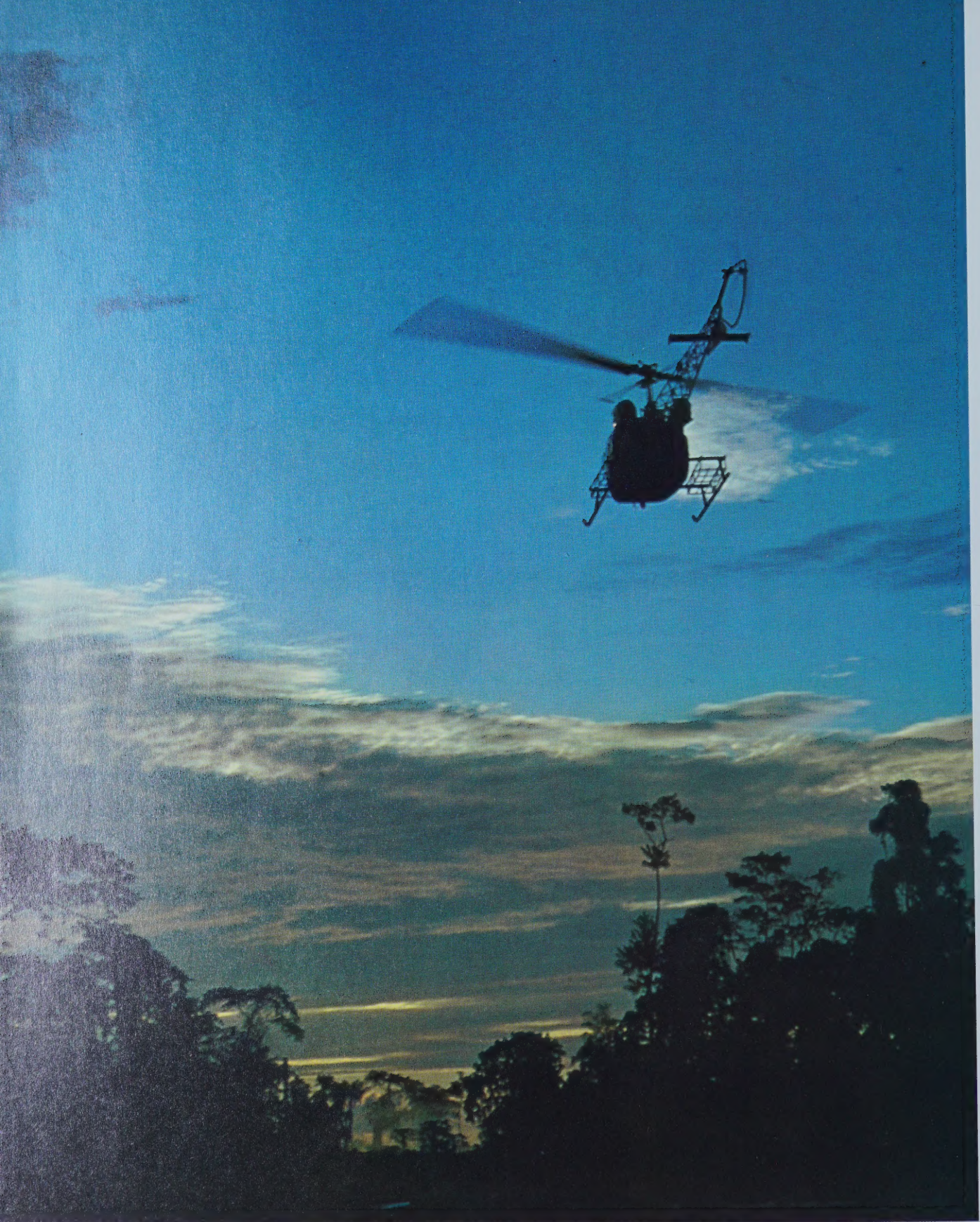
- △ Exploration
- ▲▲ Principal Oil Production*
- Principal Gas Operations
- Refineries*
- Planned Refineries
- Petrochemical Manufacture
- Marketing Areas—Texaco and Subsidiaries
- Marketing Areas—Texaco Subsidiaries and Affiliates
- ★ Principal Marketing Offices—Texaco and Subsidiaries
- Research Laboratories
- Principal Tanker Routes
- Crude Oil Pipe Lines (wholly or partly owned)
- - - Crude Oil Pipe Lines (used but not owned)
- Products Pipe Lines (wholly or partly owned)
- Products Pipe Lines (used but not owned)

*Size of symbols reflects volume of crude oil and natural gas liquids production or refinery capacity, including interests in affiliates: over 200,000; 50,000-200,000; under 50,000 barrels a day.





- | | | |
|------------------------|------------------------|----------------------|
| 1 United States | 28 Ireland | 56 Congo (Kinshasa) |
| 2 Canada | 29 United Kingdom | 57 Angola |
| 3 Mexico | 30 Svalbard | 58 South West Africa |
| 4 Bahamas | 31 Norway | 59 South Africa |
| 5 British Honduras | 32 Sweden | 60 Rhodesia |
| 6 Guatemala | 33 Denmark | 61 Zambia |
| 7 Honduras | 34 West Germany | 62 Malagasy Republic |
| 8 El Salvador | 35 Netherlands | 63 Mauritius |
| 9 Nicaragua | 36 Belgium | 64 Kenya |
| 10 Costa Rica | 37 France | 65 Somalia |
| 11 Panama | 38 Switzerland | 66 Turkey |
| 12 Canal Zone | 39 Austria | 67 Lebanon |
| 13 Jamaica | 40 Spain | 68 Saudi Arabia |
| 14 Haiti | 41 Italy | 69 Bahrain |
| 15 Dominican Republic | 42 Greece | 70 Dubai |
| 16 Puerto Rico | 43 Libya | 71 Iran |
| 17 Martinique | 44 Morocco | 72 Pakistan |
| 18 Trinidad and Tobago | 45 Canary Islands | 73 India |
| 19 Venezuela | 46 Mauritania | 74 Indonesia |
| 20 Colombia | 47 Mali | 75 Philippines |
| 21 Ecuador | 48 Senegal | 76 Okinawa |
| 22 Peru | 49 Liberia | 77 Japan |
| 23 Chile | 50 Ivory Coast | 78 South Korea |
| 24 Uruguay | 51 Ghana | 79 Australia |
| 25 Brazil | 52 Nigeria | 80 Papua |
| 26 Surinam | 53 Niger | 81 New Zealand |
| 27 Guyana | 54 Gabon | |
| | 55 Congo (Brazzaville) | |



Helicopters fly men, equipment, and supplies into the Amazon Basin of Ecuador, where Texaco is developing major new sources of crude oil.

Worldwide Operations

Exploration and Producing

Texaco's worldwide production of crude oil and natural gas liquids, including liftings in Saudi Arabia and Indonesia and equity in other affiliated companies, increased 8.1% to an average of 3,228,000 barrels a day, compared with 2,987,000 barrels a day in 1969. Natural gas sales rose 10.0% to 4,026,000,000 cubic feet a day, compared with 3,661,000,000 cubic feet a day in 1969.

Texaco's petroleum production came from 16 countries, six in the Western Hemisphere and 10 in the Eastern Hemisphere. In a continuing effort to find new sources of petroleum to meet steadily increasing requirements, Texaco conducted exploration activities in all of these producing countries and in some 30 other countries, as well.

Texaco again succeeded in locating more than enough additional reserves to replace current production. At year-end, reserves were at all-time highs, both worldwide and in the United States.

United States: Gross production of crude oil and natural gas liquids, including equity in affiliates, rose 8.4% in the United States to an average of 939,000 barrels a day, compared with an average of 866,000 barrels a day in 1969. For the month of December, gross production in the United States averaged 982,000 barrels a day, an increase of 7.4% over the 914,000 barrels a day produced during December, 1969.

The Company had petroleum production in 22 states in the United States.

Exploratory and development drilling increased substantially in the United States. Even with U.S. production at record levels for the year, the Company again found more oil in the U.S. than it produced.

The Company drilled a total of 1,569 gross wells in the United States, compared with 1,077 drilled in 1969, an increase of 45.7%. An excellent success ratio of 83.2% was achieved by the completion of 1,306 of these wells as oil or gas producers. Of the successful completions, 30 were wild-cat discoveries and 1,276 were field development wells; 1,175 were drilled onshore and 131 were drilled offshore.

Important reserves were added to Texaco's onshore holdings in Louisiana. Offshore Louisiana, substantial reserves additions were made in 10 fields, located in both Federal and state lease areas. Exploratory drilling opened up new oil producing fields in a number of states, especially Louisiana, Texas, and New Mexico, thus providing significant opportunities for future development.

Thirteen platforms were installed to carry out a very active program of drilling and development on wholly owned and partially owned lease blocks in the Gulf of Mexico.

In California's Santa Barbara Channel, Texaco's 25% share of production from the Dos Cuadras field more than doubled, rising from 7,300 barrels a day at the end of 1969 to 15,000 barrels a day at the end of 1970. This field is now the fourth largest in California in terms of daily production.

Secondary recovery projects have made significant contributions to increases in Texaco's reserves and production in the United States during the past several years. Texaco now has a total of 766 active secondary recovery projects, including 53 new projects undertaken in 1970. The new projects were initiated primarily in older producing areas of Texas and Louisiana in order to arrest declines in reservoir pressure and to increase ultimate recovery.

Sales of natural gas in the United States rose 10.7% to an average of 3.8 billion cubic feet a day, compared with 3.5 billion cubic feet a day in 1969.

Gross production of natural gas liquids increased to 87,000 barrels a day, an 18.6% increase over production of 73,000 barrels a day during 1969. During the month of December, natural gas liquids production rose to an average of 91,000 barrels a day.

Other Western Hemisphere: Gross production elsewhere in the Western Hemisphere, including equity in affiliates, averaged 415,000 barrels a day in 1970, down slightly from 425,000 barrels a day in 1969. Increased production in Canada and in Colombia did not entirely offset natural declines in Venezuela and in Trinidad.

Production in Canada by Texaco companies rose to a new high total of 112,000 barrels a day, an increase of 25.9% over 90,000 barrels a day in 1969. Texaco's net acreage holdings in Canada were increased, primarily by acquisitions in the Arctic and on the East Coast.

Production in Colombia reached a record 67,000 barrels a day, an increase of 7.4%, as a result of continued high-level production moved through the Trans-Andean pipe line from jointly owned fields in the Colombian Amazon Basin.

Venezuelan production was 169,000 barrels a day, down 12.2%. In Lake Maracaibo, gas processing and injection plants, in which Texaco has approximately a 38% interest, commenced operations.

In Trinidad, production decreased 16.8% to 67,000 barrels a day. Additional secondary recovery projects were initiated during the latter part of the year. These are designed to offset natural declines in production from older producing fields. Exploration for new crude sources continued at a high level, and appraisal drilling was begun on two newly acquired marine tracts, totaling 344,000 acres, located off the south coast of the island.

In Ecuador, where Texaco has a 50% interest in 2,842,000 acres in the Amazon Basin, drilling was concentrated mainly



Blowout preventer on a well being drilled offshore Louisiana is one of many pollution-control devices used in Texaco producing operations.

on delineating and developing three of the nine fields discovered in 1969 and earlier. The crude oil produced from these fields will be transported through the 250,000-barrel-a-day Trans-Ecuadorian pipe line, which is scheduled for completion in the latter half of 1972. Texaco continued to have extraordinary success in drilling wildcat wells in Ecuador. Two more major discoveries were made here in 1970.

Eastern Hemisphere: Texaco's gross production in the Eastern Hemisphere, including interests in affiliates, rose to a new high of 1,874,000 barrels a day, a 10.4% increase over the previous high of 1,696,000 barrels a day achieved in 1969. While the Middle East continued to be Texaco's principal source of crude oil in the Eastern Hemisphere, significant production increases in Indonesia gave Texaco greater

flexibility in supplying crude oil to its worldwide markets.

Substantial gains were again established in Saudi Arabia by the Arabian American Oil Company. Texaco's liftings from Aramco were 1,039,000 barrels a day, compared with 949,000 barrels a day in 1969. Major expansion of production facilities completed during the year enabled Aramco to make record exports, even though the Trans-Arabian pipe line was shut down during the last eight months of the year. Ship channels at Ras Tanura Terminal were deepened to permit round-the-clock entry and departure of mammoth tankers up to 255,000 deadweight tons, thereby speeding tanker turnarounds.

In Iran, Texaco's production reached an all-time high of 209,000 barrels a day, compared with 177,000 barrels a day in 1969. The Iranian Consortium, in which Texaco's interest is 7%, made the first shipment of natural gas liquids from the newly constructed liquefied petroleum plant at Bandar Mah Shahr. This plant, one of the world's largest, was designed to process 48,000 barrels of natural gas liquids a day.

As a result of a production cutback imposed by the Libyan government, Texaco's production in Libya was reduced to an average for the year of 162,000 barrels a day, 12.5% less than the record production of 185,000 barrels a day in 1969. New mooring and loading facilities capable of handling tankers in

Worldwide gross production —crude oil and natural gas liquids

(including the Company's liftings in Saudi Arabia and Indonesia and equity in other nonsubsidiary companies)

Barrels a day

<i>Texaco and subsidiaries:</i>	<i>1970</i>	<i>1969</i>
United States	932,000	860,000
Iran	209,000	177,000
Venezuela	167,000	190,000
Libya	162,000	185,000
Canada	112,000	90,000
Trinidad	67,000	81,000
Colombia	56,000	51,000
Germany	34,000	35,000
Australia	13,000	10,000
Dubai	8,000	1,000
Other	2,000	1,000
Total Texaco and subsidiaries	1,762,000	1,681,000

Nonsubsidiary companies:

Saudi Arabia	1,039,000	949,000
Indonesia	369,000	300,000
Bahrain	38,000	38,000
Colombia	11,000	11,000
United States	7,000	6,000
Venezuela	2,000	2,000
Total nonsubsidiary companies	1,466,000	1,306,000

Total worldwide 3,228,000 2,987,000



Drilling operations in West Germany aim to help supply the growing oil demand without disturbing agricultural and dairying pursuits.

excess of 200,000 deadweight tons were completed at the Ras Lanuf Terminal.

The search for new sources of petroleum on the African Continent, particularly in previously unexplored areas of the Sahara Desert and the African Continental Shelf, was stepped up sharply. Texaco was awarded exploration rights covering large areas in Mali, Niger, South West Africa, the Indian Ocean area of Mauritius, and, early in 1971, Mauritania. Geophysical surveys were conducted in offshore areas of Ghana, Gabon, Angola, South West Africa, South Africa, Somalia, and Mauritius, and onshore in Niger. In offshore Nigeria,

both exploratory and development operations were continued.

In Europe, Texaco acquired a 100% interest in 3,178,000 acres in the United Kingdom, the Netherlands, and Greece, and a 50% interest in 128,000 acres located on the Svalbard Islands of Norway. In the Adriatic Sea, offshore Italy, Texaco acquired a 50% interest in 89,000 acres. Geophysical surveys were continued offshore the United Kingdom, Italy, and Greece, and onshore in Spain and the Netherlands. Additional exploratory drilling was carried out in North Sea waters of Norway, Denmark, and the United Kingdom, and in the Gulf of Thermaikos, offshore Greece.

Production of petroleum liquids in West Germany was at about the same level as in 1969, averaging 34,000 barrels a day. Natural gas production rose 7.5% over the 1969 level to 10.6 million cubic feet a day.

Texaco's liftings from P. T. Caltex Pacific Indonesia, a 50% owned affiliate and the largest producer in the Far East, increased to a new high average of 369,000 barrels a day, compared with 300,000 barrels a day in 1969. In Central Sumatra, two new fields were placed on production. Two more fields, one of them discovered in 1970, are scheduled for production in 1971. Three additional fields discovered in 1970 are scheduled for production in 1972. Geophysical activity on Texaco's Central Sumatran holdings continued, and geophysical work commenced in the Java Sea on a 13,400,000-acre offshore tract in which a 50% interest was obtained in 1970.

In Australia, Texaco's two-sevenths interest in Barrow Island production increased to a new high of 13,000 barrels a day, compared with 10,000 barrels a day in 1969. Work is under way to construct a 255-mile gas pipe line from the Dongara field to the Perth area. Initial gas sales are scheduled for early 1972 and Texaco's share is expected to be 22 million cubic feet a day. An active exploratory program, including seismic exploration and wildcat drilling, was carried out in both onshore and offshore areas. Geophysical activity was conducted in Eastern Australia and in neighboring Papua, an Australian-administered territory.

In Asia, Texaco acquired a 40% interest in two tracts offshore South Korea and a 25% interest in a tract offshore Japan in the East China Sea. These areas total more than 30,000,000 acres. Initial geophysical surveys were made of the Korean holdings in 1970, and seismic surveys of the Japanese holdings are scheduled for 1971.

Manufacturing

Texaco's worldwide refinery runs, including interests in affiliates, rose 5.3% to 2,719,000 barrels a day, compared with 2,582,000 barrels a day in 1969.

At the year-end, Texaco's equity in refining capacity had increased to 2,742,000 barrels a day, through full or partial



Major expansion, including a large two-stage unit for distilling crude oil, is nearing completion at the Port Arthur Plant, and will raise significantly the capacity of the Company's largest refinery. A heater section of the unit is shown here under construction.

ownership of 69 refineries located in 36 countries throughout the Free World.

Texaco continued to give high priority to the installation of additional equipment, where needed, for purifying both air emissions and water discharges at its refineries.

United States: Refinery runs in the United States averaged 948,000 barrels a day, compared with 929,000 barrels a day in 1969.

Progress continued on the major expansion of Texaco's facilities at Port Arthur, Texas, which was begun early in 1969. Construction of a 25,000-barrel-a-day hydrotreater was completed and a 15,000-barrel-a-day hydrocracker was in final stages of construction at year-end. A 130,000-barrel-a-day

crude distillation unit is scheduled for completion in 1971.

Other Western Hemisphere: Refinery runs elsewhere in the Western Hemisphere increased 4.4% to 573,000 barrels a day, compared with 550,000 barrels a day in 1969.

Texaco Canada Limited acquired 1,300 acres of land at Nanticoke, Ontario, on the north shore of Lake Erie, as the proposed site for a new refinery.

Refinery runs in Trinidad were 354,000 barrels a day, compared with 353,000 barrels a day in 1969. Supplies of indigenous and regional crude oil were supplemented by increased imports from the Eastern Hemisphere.

Site preparation work was begun in Trinidad for construction of a 90,000-barrel-a-day desulphurization plant, which

is scheduled for completion in 1972. Three distillate treating units with a total capacity of 40,000 barrels a day were completed during the year. These units are being used to treat naphtha and kerosine, thereby making it possible to process a wider variety of crudes at Trinidad.

Eastern Hemisphere: Texaco's refinery runs in the Eastern Hemisphere, including interests in affiliates, rose to 1,198,000 barrels a day from 1,103,000 barrels a day in 1969, an increase of 8.6%.

For both the Pernis refinery at Rotterdam, the Netherlands, and the Escombreras refinery at Cartagena, Spain, 1970 was the first full year of operation at expanded capacities of 250,000 and 200,000 barrels a day, respectively. Texaco has

a 31.6% interest in the Pernis refinery and a 20.0% equity in the Escombreras refinery. Completion of a 23,000-barrel-a-day middle distillate desulphurizer at the Pernis refinery will help Texaco to meet the growing demand for low-sulphur products in Europe. Texaco's equity in refining capacity was also increased in France and is being expanded in Italy and Switzerland.

In the Far East, a number of refineries in which Texaco has partial interests through the 50% owned Caltex Petroleum Corporation were being constructed or expanded in 1970. Capacity of the Negishi, Japan, refinery is being increased by 90,000 barrels a day to 310,000 barrels a day, with completion scheduled for the end of 1972. Extensive facilities for removing sulphur from heavy oils will be added at this plant. A 76,000-barrel-a-day refinery at Osaka, Japan, was nearing completion at year-end. Texaco has 25% interests in these two plants.

A 25,000-barrel-a-day refinery, in which Texaco now has an 8.9% interest, was completed at Okinawa. Texaco's interest in this refinery is scheduled to increase to 16.95%. The Yosu, Korea, refinery, in which Texaco's interest is 25%, was expanded from 60,000 to 100,000 barrels a day.

In mid-1970, a major expansion program which will permit production of a full range of petroleum products was completed at the Caltex refinery in Cape Town, South Africa. Included among the new units are middle distillate treating and desulphurization facilities, as well as an 11,000-barrel-a-day Texaco Fluid Catalytic Cracking Unit. The expanded Cape Town crude unit will have an ultimate processing capacity of 46,000 barrels a day.

Caltex is participating in a 2,700-barrel-a-day plant for manufacturing lubricating oils at Durban, South Africa, which will supply a major part of the country's lube oil requirements. Caltex will have a 23.8% equity in this venture, which is scheduled for completion in the fall of 1972.

Marketing

Texaco's worldwide sales of petroleum products, including equity in affiliated companies, rose 6.5% to 2,917,000 barrels a day, compared with 2,739,000 barrels a day in 1969.

United States: Total sales of petroleum products in the United States increased to 1,274,000 barrels a day.

Texaco continued to be a leading marketer of petroleum products in the U.S. Volumes and revenue from sales of *Sky Chief* and *Fire Chief* gasolines reached new highs.

In April, Texaco marketed the first unleaded gasoline in California by introducing *Lead-free Texaco* at 61 service stations in the Los Angeles area. The availability of this product is being rapidly expanded throughout Southern California.

Plans to market *Low-lead Texaco* gasoline were announced

Worldwide refinery runs

—crude oil, natural gas liquids, and distillates

(including interests in nonsubsidiary companies)

Barrels a day

<i>Texaco and subsidiaries:</i>	1970	1969
United States	948,000	929,000
Trinidad	354,000	353,000
Canada	140,000	135,000
United Kingdom	124,000	124,000
Belgium	110,000	113,000
Netherlands	78,000	57,000
Germany	68,000	65,000
Honduras	14,000	10,000
Guatemala	8,000	8,000
Venezuela	4,000	5,000
Colombia	2,000	2,000
Total Texaco and subsidiaries	1,850,000	1,801,000
<i>Nonsubsidiary companies:</i>		
<i>Caltex companies:</i>		
Far East	324,000	292,000
Middle East	131,000	124,000
Africa	22,000	21,000
Total Caltex companies	477,000	437,000
<i>Other companies:</i>		
Saudi Arabia	113,000	94,000
Germany	101,000	101,000
Venezuela	49,000	35,000
Spain	36,000	29,000
France	26,000	18,000
Iran	22,000	22,000
Italy	14,000	14,000
Ireland	12,000	13,000
Turkey	10,000	10,000
Switzerland	4,000	3,000
West Africa	3,000	3,000
Colombia	2,000	2,000
Total nonsubsidiary companies	869,000	781,000
Total worldwide	2,719,000	2,582,000



These examples of Texaco service stations, designed to be compatible with local surroundings, are in the Boston (top) and Houston (bottom) areas.

in October, and this product has been introduced in many marketing areas across the nation. The Company also announced that all Texaco gasolines would contain an outstanding new package of protective and detergent additives designed to reduce automotive emissions and to improve engine performance.

A major program aimed at providing a "new look" at Texaco service stations was initiated. More than 1,200 service stations were improved in appearance by the utilization of newly developed materials and advanced design. New retail outlets emphasizing functional layout and attractive appearance, compatible with local surroundings, were constructed and placed in operation.

Texaco continued its policy of marketing a full line of petroleum products to the motorist through its service station representation in every state of the Union.

In December, Texaco began its 31st consecutive season of sponsoring Saturday afternoon broadcasts of the Metropolitan Opera. This sponsorship is the longest in radio history.

The designation of the Texaco National Credit Card was changed to the Texaco Travel Card to emphasize its increasing usefulness to the motoring public. For greater customer convenience, the Texaco Travel Card is now honored at Howard Johnson's Motor Lodges, Quality Motels, Rodeway Inns, Red Carpet Inns, Travelodges, Hertz-Rent-A-Car, National Car Rentals, Stuckey's, and the Astroworld at Houston. Arrangements have been made whereby Texaco retailers may accept American Express Cards, Master Charge Cards, and BankAmericards.

A Fuel Oil Sales Department was established to consolidate sales of heating oil and residual fuel oil throughout the nation. Texaco is a leading marketer of fuel oils, especially in the high-consumption areas of the Northeast. Overall consumption of residual fuel oil increased sharply during the year, and extraordinary measures were taken to increase available supplies. Residual fuel oil prices, which have been severely depressed for years, showed improvement, as did prices for distillate fuel oil. Texaco sales of oil burners increased in the United States and also in Canada.

Other Western Hemisphere: Elsewhere in the Western Hemisphere, product sales increased 9.9% to 371,000 barrels a day.

In Canada, sales volume of petroleum products rose to a record high level, with significant gains registered in the sale of gasolines, middle distillates, and fuel oil.

Sales volumes for Latin America and the Caribbean also reached new highs, and product prices generally improved.

Eastern Hemisphere: Product sales in the Eastern Hemisphere increased 11.9% to 1,272,000 barrels a day.

Texaco's sales in Western Europe continued to expand and

a general improvement in market prices was particularly encouraging. Fuel oil prices, at very low levels in Europe for many years, improved. Gasoline and distillate prices have also strengthened and are expected to make an important contribution to improved results in the European market.

Sales activities in Europe were reinforced by continued construction of new retail outlets and rehabilitation of existing ones. The name of the Company's German subsidiary was changed to Deutsche Texaco A.G. to strengthen its identification with Texaco products. Texaco completed its program of converting service station identifications in West Germany and in the United Kingdom to the Texaco brand name.

Sales volumes in West Africa rose to new high levels, and increased revenues reflected general improvements in product prices.

The 50% owned Caltex companies continued to expand their marketing activities in Asia, Australasia, and large parts of Africa. Their overall sales of crude oil and petroleum products rose 14.0% to 1,380,000 barrels a day.

Total international marine sales volumes in the Free World increased almost 30%. Texaco has bunkering facilities available at more than 200 ports, and lubricating oils are available at approximately 500 ports throughout the Free World.

Petrochemicals

As a major supplier of basic petrochemicals, Texaco is continuing its highly selective approach to petrochemical investment and is expanding its capacity to manufacture several basic chemicals.

United States: Construction of a third lubricating oil additive plant at Port Arthur, Texas, was completed. Other additive facilities at Port Arthur are being expanded in order to meet increasing requirements.

Sales volume of Texas-U.S. Chemical Company, 50% owned by Texaco, was maintained at high levels, but rising costs of labor and of certain basic raw materials adversely affected net earnings. Synthetic rubber sales were slowed during the second half of the year by labor problems in the automotive industry, and the pressure of unrealistically low prices had an adverse effect on export rubber sales.

Both sales and net earnings of Jefferson Chemical Company, Inc., 50% owned by Texaco, were somewhat lower than in 1969. Jefferson Chemical produces a wide range of chemicals which are used in the manufacture of end-use products such as detergents, anti-freeze, polyester fibers, and urethane foams for mattresses, furniture, protective padding, and insulating materials.

Other Free World: The major petrochemical complex of Texaco Trinidad, Inc., located at Pointe-à-Pierre, continued to produce top quality basic and (*continued on Page 18*)



The new Kiire Terminal, operated by a Caltex affiliate, on Kagoshima Bay in Japan, is one of the world's largest facilities for transshipping crude oil. As these tankers discharge their cargoes, they are surrounded by floating booms to contain any possible spillage.

(continued from Page 15) intermediate chemicals for the detergent, plastics, coatings, and fiber industries. As a result of design improvements and modifications in the utilization of process equipment, a number of these chemicals were produced in record quantities during the year.

The chemical plant in Ghent, Belgium, which produces a complete line of additives, lubricating oils, and greases for the West European and West African markets, attained record production levels.

Expansion of alcohol and ketone manufacturing capacity by Deutsche Texaco A.G. at Meerbeck, Germany, was begun. This expansion will more than double Texaco's output of these products in West Germany and will strengthen its position as a leading supplier in the European market.

Marine

Texaco's worldwide marine fleet transported an average 2,558,000 barrels a day of crude oil and refined products.

At year-end, Texaco's oceangoing fleet consisted of 177 tankers owned or operated under term charter, totaling 10,254,280 deadweight tons. The fleet included 10 mammoth tankers, which provide an efficient means of meeting today's requirements for long-haul crude oil transportation. These mammoth tankers are able to make the 22,000-mile round trip between the Persian Gulf and Western Europe, around the Cape of Good Hope, more economically than smaller ves-

sels could make the 12,500-mile voyage via the Suez Canal.

During the year, orders were placed for the construction of six additional mammoth tankers, ranging in size from 225,000 to 261,000 deadweight tons, for delivery in 1972-75. Texaco will have in service at least 35 of these tankers, owned or term chartered, totaling approximately 8,000,000 deadweight tons, by mid-1974.

To prevent pollution of the sea and harbors, Texaco tankers use a system that makes it possible to clean cargo tanks on the return trip of the vessel without discharge of oily ballast. Oil residues collected by this procedure are stored in special tanks aboard the ships for discharge and further processing at the refinery.

Contracts were placed in United States shipyards to reconstruct and modernize four American-flag tankers, increasing their size from 20,000 to 42,000 deadweight tons each.

Tokyo Tanker Company, Limited, a Caltex affiliate, arranged for the long-term charter of two 470,000-deadweight-ton tankers, to be constructed in Japan. When commissioned early in 1973 and in 1974, these vessels will be the largest in the world.

Plans to enlarge the Kiire Terminal at Kagoshima, Japan, from 7.6 million barrels to 10.6 million barrels were announced. This terminal, which was opened by a Caltex affiliate in 1969, is one of the world's largest facilities for the transshipment of crude oil.



Crude oil from New Mexico, West Texas, and the Gulf Coast is moved through a Texaco-operated pipe line system to the Port Arthur Plant.

Pipe Lines

Movements through Texaco's integrated pipe line system increased 2.6% over 1969. During the year, Texaco and its subsidiaries transported an average of 2,007,000 barrels a day by pipe line. Crude oil accounted for 1,517,000 barrels a day, and refined products accounted for 490,000 barrels a day.

At year-end, Texaco's wholly owned pipe line systems throughout the Free World comprised 6,069 miles of crude lines and 1,340 miles of product lines. In addition, Texaco owned equity interests in 17,103 miles of crude lines and 10,263 miles of product lines.

Western Hemisphere: Explorer Pipe Line Company, 15.97% owned by Texaco, began construction of a products pipe line system, 28 to 24 inches in diameter. Scheduled for completion in several stages during 1971, to a capacity of 305,000 barrels a day, this system will provide economical transportation for Texaco products from the Port Arthur refinery to Dallas, St. Louis, and Chicago. The Explorer system will be capable of expansion to an ultimate capacity of 800,000 barrels a day.

Construction of the 318-mile Trans-Ecuadorian pipe line, 50% owned by Texaco, was started in 1970. The system is scheduled to be completed in the second half of 1972, with an initial capacity of 250,000 barrels a day. The line, 26 to 20 inches in diameter, will originate in the Lago Agrio field in northeastern Ecuador, cross the Andes at 13,300 feet, and

terminate at the port of Esmeraldas, located on the Pacific Coast of Ecuador.

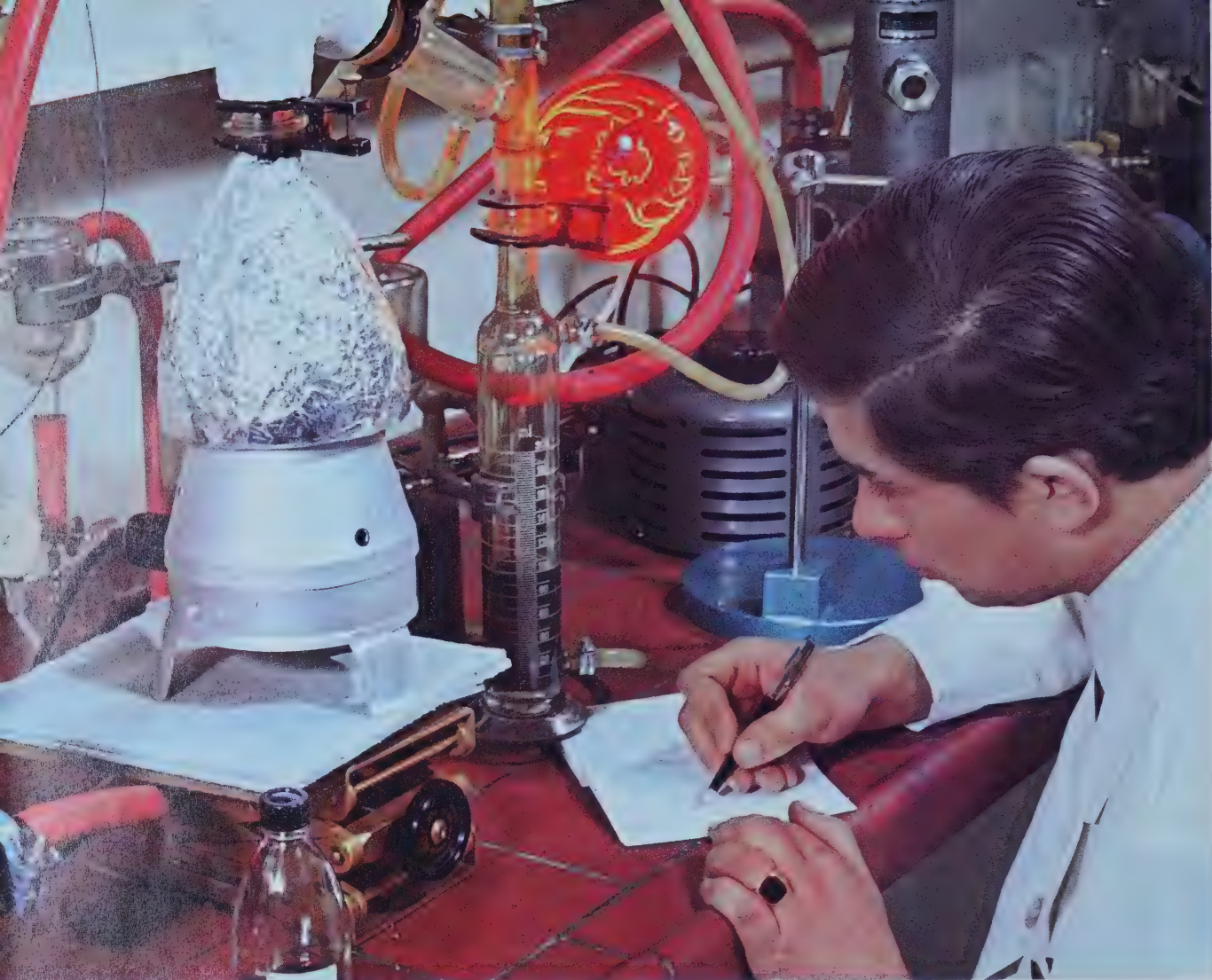
Eastern Hemisphere: Plans to expand the capacity of the South European pipe line (SEPL), in which Texaco has a 4% interest, were approved in 1970. This pipe line supplies crude oil from Laveria, France, to refineries in France and Germany. The initial expansion will double the line's capacity from 700,000 to 1,400,000 barrels a day during 1972.

The capacity of the Trans-Alpine pipe line (TAL), a crude oil pipe line extending from the port of Trieste in Italy to Ingolstadt, Germany, is being increased from 506,000 to 800,000 barrels a day. Completion is scheduled for early 1971. Texaco has a 9% interest in TAL.

Plans to construct the "MMM" products pipe line in the United Kingdom are proceeding satisfactorily. This pipe line, in which Texaco has approximately a 20% interest, will carry product from Texaco's Pembroke refinery on Milford Haven to distribution terminals in the Midlands and Mersey areas. Planned initial capacity is 120,000 barrels a day. Completion is scheduled for early 1973.

Research

The Company and its subsidiaries expended a total of \$49,000,000 on research to provide for Texaco's requirements for new products, processes, and other technology and to give essential technical support to current operations.



Development of superior-quality lubricating oils is pursued at Deutsche Texaco's Research Laboratory located at Hamburg in West Germany.

A completely new series of gasolines, containing a new additive package, was developed, tested, and introduced, along with a new, improved *Havoline* Motor Oil series.

Development of processes for manufacturing new lubricant additives was completed, as well as a process for the manufacture of isopropyl alcohol, which will be used in the expansion of the chemical plant at Meerbeck, Germany.

A principal, continuing research objective is to improve methods for finding and producing crude oil. In keeping with this objective, new computer techniques were developed to improve the interpretation of seismic, gravity, and magnetic surveys, and new and advanced seismic recording equipment was built. The heart of this equipment is a new automatic instrument, designated the floating point amplifier, developed and licensed by Texaco, which greatly improves the accuracy and fidelity of the seismic signal.

The research vessel, MV *Trinity*, acquired in 1969, was outfitted as a seagoing laboratory in order to permit study

of new and improved geological and geophysical techniques directly in the offshore environment.

Public Relations and Personnel

Texaco increased its communications with the public in order to ensure broad dissemination of the Company's views on a number of important issues in public affairs. The amount of information released to the press increased sharply; Texaco spokesmen appeared and testified at numerous public forums; direct contact with student groups was made through participation in such events as "Earth Day"; greater use was made of advertising space to transmit editorial information on public affairs subjects.

Texaco's long-standing commitment to environmental conservation was given priority attention in Company communications. Great effort was also made to increase public understanding of future worldwide energy needs, of the necessity for a higher rate of return from the Company's oper-



People of Texaco: In Lagos, Nigeria, Texaco retailers receive marketing training, a key factor in Texaco's success in supplying African markets...



In New Orleans, Louisiana, this petroleum engineer prepares a geological survey map for an evaluation study of Texaco's oil and gas reserves...



In Quito, Ecuador, this team of Texaco's Ecuadorian geologists interprets oil exploration data gathered from the Amazon Basin, east of the Andes.

ations to finance the major investments required to meet these needs, of the effect of increased taxes and operating costs on earnings, of the need to maintain a strong, viable domestic petroleum industry in the interest of national security, and of other subjects of major economic and social significance involving the Company's interests.

Worldwide employment of Texaco Inc. and consolidated subsidiaries was 73,734 as of December 31, 1970, compared with 72,572 at the end of 1969.

Higher wages and benefits raised payroll costs to a total of \$705,800,000 in 1970, compared with \$637,300,000 in 1969. Wage and salary increases and benefit plan improvements for most employees engaged in Texaco's worldwide operations added substantially to labor costs in 1970. Effective January 1, 1971, most nonsupervisory employees in the United States received a general wage increase of 8½% and benefited from improvements in the Hospital-Surgical-Major Medical Benefits Plan, the Group Pension Plan, and the Group Life Insurance Plan.

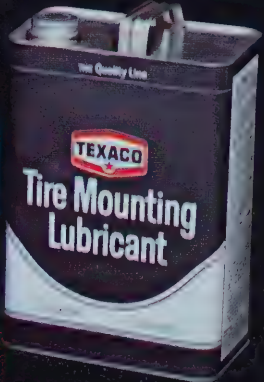
Texaco is conducting a broad and comprehensive program in manpower management and development. It includes executive training sessions for middle and upper-management personnel, selective attendance at Advanced Management courses given by leading colleges and universities, and planned rotation of operating managers among major related functional activities of the Company. All employees are offered opportunities to upgrade their skills and competence through a formal Tuition Aid Plan, under which the Company normally refunds 75% of the cost of approved courses which are successfully completed. Texaco is also continuing its efforts to provide meaningful employment and promotional opportunities for individuals from minority groups. Under such programs, the Company seeks out unskilled personnel whose future prospects are limited by lack of education and training, and offers on-the-job training to enable them to qualify for further advancement.

Texaco maintained its position as a leader in accident prevention. The Company's disabling injury frequency rate was 5.58 per million man-hours, well below the 1969 National Safety Council's figures for the petroleum industry and for industry in general. The Company's frequency rate for disabling injuries in refining operations was 1.80, compared with the Council's 1969 figure of 4.93 for the entire refining industry. Texaco's Port Arthur refinery established a new world's record for safety in petroleum refineries of 10,964,592 disability-free man-hours.

New medical facilities were established at Atlanta, Georgia, and at Bellaire, Texas, to serve Company personnel at those locations. At year-end, planning for new medical facilities at the Port Arthur complex was in the final stage.



Some of the products for the motorist at Texaco service stations



Buy the best —buy Texaco

Texaco is the only marketer of petroleum products with substantial and widespread retail distribution under one trademark in all 50 states. Products also are sold through Texaco companies and affiliated companies in the Western Hemisphere, Western Europe, Africa, the Middle East, the Far East, and Australasia. Texaco markets more than 800 top-quality products, including:

Petroleum Products

Automotive:

Sky Chief gasoline
Fire Chief gasoline
Lead-free Texaco gasoline*
Low-lead Texaco gasoline
Havoline motor oils
Texaco motor oils
Texaco anti-freeze coolants
Marfak lubricants
Gear lubricants
Texamatic transmission fluids
Snowmobile oil

Aviation:

Aviation gasolines
Jet fuels
Aircraft engine oils
Synthetic aircraft turbine oils
Aircraft hydraulic oils
Aircraft greases

Marine:

Marine bunker fuel
Marine intermediate fuels
Marine diesel fuels
Marine gas oil
Taro cylinder oils
Doro crankcase oils
Taro crankcase oils
Regal Marine turbine oils
Floatcoat rustproofing
Sea Chief gasoline
Outboard motor oil
Outboard gear lubricants
Launching greases

Fuel Oils:

Fuel Chief home heating oils
Crystalite kerosine
Diesel Chief fuels
Industrial fuel oils

Asphalts:

Paving asphalts
Road oils
Surfacing materials
Roofing asphalts

Miscellaneous:

Rust proof compounds
Petroleum coke
Waxes
Spraytex fruit sprays
Texspray cotton conditioner
Orchard heaters

Industrial:

Anti-friction bearing greases
Compressor oils
Construction and mining equipment lubricants
Diesel engine lubricants
Farm machinery lubricants
Forest and paper pulp industry lubricants
Gas engine lubricants
Hydraulic oils
Industrial gear lubricants
Industrial greases
Insulating oils
Metalworking lubricants and coolants
Preservative oils
Railway lubricants
Refrigeration oils
Rubber processing oils
Steel mill lubricants
Textile mill lubricants
Turbine oils

Gases and By-Products

Natural gas
Ethane
Propane
Isobutane
Normal butane
Natural gasoline
Sulphur

Petrochemicals

Benzene
Toluene
Xylenes
Cumene
Cyclohexane
Ethylene
Propylene
Normal paraffins
Detergent alkylate
Nonene
Propylene tetramer
Diisobutylene
Naphthenic acids
Isopropyl alcohol
Acetone
Ketones
Alkyd and phenolic resins
Chemical feedstocks
Lubricating oil, grease, and fuel additives

Rust inhibitors
Ammonia and derivatives
Nitrogen fertilizer solutions
Solid fertilizers

Specialty Products

Quality Line:

Batteries
Oil, air, and gasoline filters
Spark plugs and ignition parts
Automotive belts, radiator hose, heater hose, and clamps
Automotive headlamps, bulbs, and flashers
Windshield wiper blades and arms
Radiator, gasoline tank, and oil filler caps
Shock absorbers
Thermostats

Upper cylinder lubricant
Super motor detergent
Fuel system conditioner and de-icer
All-temp windshield washer
Windshield de-icer
Carburetor cleaner
Brake fluid
Transmission stop-leak and seal conditioner
Tire mounting lubricant

Radiator stop leak
Heavy duty radiator cleaner
Radiator fast flush
Radiator anti-rust and water pump lubricant

Super car cleaner and wax
Soft paste wax
Car cleaner and polish
Chrome and metal polish
Plastic and leather cleaner
Vinyl hardtop dressing

Car wash concentrate
Glass cleaner concentrate
Spray-on white tire cleaner
Black tire dressing
Home lubricant
Penetrating oil
Rust proof (aerosol)
Lighter fluid
Charcoal lighter fluid
Insecticide
Rubber repair kit

Green Chief lawn food

Oil Burner Equipment

Fuel Chief Lines:

Oil burners
Water heaters
Boilers
Warm air furnaces and humidifiers
Industrial air heaters
Swimming pool heaters



*Available in Southern California

Texaco Inc. and Principal Subsidiaries and Affiliates

(Texaco's percentage of ownership is shown in parentheses)

United States

Texaco Inc.—exploration, producing, transportation, refining, petrochemicals, marketing in United States **Badger Pipe Line Company** (22%)—pipe line transportation from E. Chicago, Ind., to Madison, Wis. **Colonial Pipeline Company** (14.27%)—pipe line transportation from Houston, Texas, to New York, N.Y. **Coltco Corporation** (49%)—natural gas products in Louisiana and Texas **Federal Chemical Company** (100%)—manufacturing, marketing of fertilizers in United States **Jefferson Chemical Company, Inc.** (50%)—chemicals in United States **Kaw Pipe Line Company** (33%)—pipe line transportation in Kansas **Laurel Pipe Line Company** (27%)—pipe line transportation from Philadelphia, Pa., to Cleveland, Ohio **Olympic Pipe Line Company** (27%)—pipe line transportation from Bellingham, Wash., to Portland, Ore. **Texaco-Cities Service Pipe Line Company** (50%)—pipe line transportation from Cushing, Okla., to E. Chicago, Ind. **Texaco Development Corporation** (100%)—patent licensing, worldwide **Texas-New Mexico Pipe Line Company** (45%)—pipe line transportation from Aneth, Utah, to Houston, Texas **Texas-U. S. Chemical Company** (50%)—butadiene and synthetic rubbers in United States **The Texas Pipe Line Company** (100%)—pipe line transportation in Ill., Ind., La., Mo., Mont., N. J., N. M., Okla., and Texas **THQMS Long Beach Company** (20%)—producing in Wilmington field, Calif. **Wolverine Pipe Line Company** (17%)—pipe line transportation from E. Chicago, Ind., to Detroit, Mich., and Toledo, Ohio **Wyco Pipe Line Company** (40%)—pipe line transportation from Casper, Wyo., to Colorado Springs, Colo., and Rapid City, S. D.

Canada

Texaco Canada Limited and subsidiaries (68%)—exploration, producing, transportation, refining, petrochemicals, marketing in Canada **Texaco Exploration Canada Limited** (100%)—exploration, producing, pipe line transportation in Canada

Latin America

Colombian Petroleum Company (50%)—exploration, producing, refining in Colombia **Coro Petroleum Company** (100%)—exploration, producing in Venezuela **Lubricantes y Tambores del Ecuador, C.A.** (100%)—marketing and lube oil blending in Ecuador **Refinería Texaco de Honduras, S.A.** (67%)—refining in Honduras **Sociedad Anonima Petrolera Las Mercedes** (50%)—exploration, producing, pipe line transportation in Venezuela **Société Antillaise des Pétroles Texaco** (100%)—marketing in French Caribbean **Texaco Antilles Limited** (100%)—marketing in Caribbean **Texaco Belize Limited** (100%)—marketing in British Honduras **Texaco Brasil S.A.—Produtos de Petroleo** (100%)—marketing in Brazil **Texaco Caribbean Inc.** (100%)—marketing in Central America and West Indies **Texaco Chile S.A.C.** (100%)—marketing and lube oil blending in Chile **Texaco Guatemala Inc.** (100%)—marketing in Guatemala **Texaco Maracaibo Inc.** (100%)—exploration, producing in Venezuela **Texaco Oil Company** (100%)—exploration and producing services in Latin America **Texaco Panama Inc.** (100%)—marketing in Republic of Panama; marine transportation, worldwide **Texaco Petroleum Company** (100%)—exploration in Ecuador **Texaco Puerto Rico Inc.** (100%)—marketing in Puerto Rico **Texaco Seaboard Inc.** (100%)—exploration, producing in Venezuela **Texaco, Sociedad Anonima** (100%)—marketing in Mexico **Texaco Trinidad, Inc.** (100%)—exploration, producing, refining, petrochemicals in Trinidad and Tobago **Texaco (Trinidad) Limited** (100%)—marketing in Trinidad and Tobago **Texaco Uruguay Sociedad Anonima** (100%)—marketing in Uruguay **Texaco West Indies Limited** (100%)—marketing in Caribbean **Texas Petroleum Company** (100%)—exploration, producing, transportation, refining, marketing in Latin America **The Pipelines of Puerto Rico, Inc.** (40%)—pipe line transportation from Guayanilla to San Juan, Puerto Rico **Venezuela Gulf Refining Company** (33%)—refining in Venezuela

Europe

Caltex Deutschland GmbH (50%)—refining, petrochemicals in West Germany **Caltex Oil S.A.E.** (50%)—marketing lubricants in Spain **Caltex (Kalteks) Petrol A. S.** (50%)—owns and leases marketing property in Turkey **Caltex Petroleum S.A.F.** (49.9%)—stockholder in French refining and marketing companies **Deutsche Texaco A.G. and subsidiaries** (96.8%)—exploration, producing, transportation, refining, petrochemicals, marketing, electric power in West Germany **Jefferson Chemicals U.K.** (50%)—manufacturing of chemicals in United Kingdom, marketing in Europe **Norsk Texaco Oil A/S** (100%)—marketing in Norway **N.V. Rotterdam-Rijn Pijpleiding Maatschappij** (10%)—pipe line transportation from Europoort, Netherlands, to Raunheim, West Germany **Rhein-Main Rohrleitungstransportgesellschaft** (15%)—pipe line transportation from Pernis, Netherlands, to Ludwigshafen, West Germany **s.a. Texaco Belgium n.v.** (100%)—refining, petrochemicals, marketing in Belgium **Société du Pipe-Line Sud-Européen** (4%)—pipe line transportation from Lavéra, France, to Karlsruhe, West Germany **Texaco A.G.** (100%)—marketing in Switzerland **Texaco A/S** (100%)—marketing in Denmark **Texaco Denmark Inc.** (100%)—exploration in Denmark **Texaco Gesellschaft m.b.H.** (100%)—marketing in Austria **Texaco Greece Inc.** (100%)—exploration in Greece **Texaco Greek Petroleum Company S.A.** (100%)—marketing in Greece **Texaco (Ireland) Limited** (100%)—marketing in Ireland **Texaco Limited and subsidiaries** (100%)—marketing in United Kingdom **Texaco Luxembourg S.A.** (100%)—marketing in Luxembourg **Texaco Netherlands Inc.** (100%)—exploration in the Netherlands **Texaco North Sea U.K. Company** (100%)—exploration in United Kingdom **Texaco Norway A/S** (100%)—marine transportation, worldwide **Texaco Oil Aktiebolag** (100%)—marketing in Sweden **Texaco Olje Maatschappij N.V.** (100%)—refining, marketing in the Netherlands **Texaco Operations (Europe) Ltd. and subsidiaries** (100%)—refining, transportation, marketing in Europe **Texaco Overseas Tankship Limited** (100%)—marine transportation, worldwide **Texaco Production Norway A/S** (100%)—exploration in Norway **Texaco Refining Company Limited** (100%)—refining in United Kingdom **Texaco Services (Europe) Ltd.** (100%)—refining and marketing services in Europe **Texaco S.p.A.** (100%)—marine services, marketing in Italy **Texaco (Spain) Inc.** (100%)—exploration and producing in Spain **Trans-Alpine Pipeline** (9%)—pipe line transportation from Trieste, Italy, to Ingolstadt and Karlsruhe, West Germany **United Kingdom Oil Pipelines, Ltd.** (19.8%)—pipe line transportation from Thames Estuary (near London) and Liverpool to Birmingham, England

Middle East, Far East, Africa

Arabian American Oil Company (30%)—exploration, producing, transportation, refining in Saudi Arabia **Caltex group of companies** (50%)—exploration, producing, transportation, refining, marketing in Eastern Hemisphere **Mitsui-Texaco Chemicals Company, Ltd.** (47.5%)—manufacturing, marketing of petrochemicals in Japan **P. T. Caltex Pacific Indonesia** (50%)—exploration, producing in Indonesia **Texaco Africa Ltd.** (100%)—marketing in West Africa **Texaco Canarias S.A.** (100%)—marketing in Canary Islands **Texaco Côte d'Ivoire** (100%)—marketing in Republic of the Ivory Coast **Texaco Ghana Petroleum Company Ltd.** (100%)—exploration in Ghana **Texaco Guinée S.A.** (100%)—marketing in the Republic of Guinea **Texaco Iran Ltd.** (100%)—exploration, producing, refining in Iran **Texaco Japan Inc.** (100%)—exploration in Japan **Texaco Korea Inc.** (100%)—exploration in Korea **Texaco Mali Inc.** (100%)—exploration in Mali **Texaco Maroc** (100%)—marketing in Morocco **Texaco Mauritania Inc.** (100%)—exploration in Mauritania **Texaco Mauritius Inc.** (100%)—exploration in Mauritius **Texaco Niger Inc.** (100%)—exploration in Niger **Texaco Nigeria Limited** (100%)—marketing in Nigeria **Texaco Oil Company of Gabon** (100%)—exploration in Gabon **Texaco Overseas (Nigeria) Petroleum Company** (100%)—exploration and production in Nigeria **Texaco Overseas Petroleum Company** (100%)—exploration, producing in Eastern Hemisphere **Texaco Petroleos de Angola S.A.R.L.** (100%)—exploration in Angola

Statements of Consolidated Income and Retained Earnings

For the years ended December 31, 1970 and 1969

	1970	1969
Gross Income:		
Sales and services	\$6,349,759,000	\$5,867,860,000
Dividends, interest, and other income	427,581,000	397,487,000
	<u>\$6,777,340,000</u>	<u>\$6,265,347,000</u>
Deductions:		
Costs and operating expenses	\$4,191,606,000	\$3,974,753,000
Selling, general and administrative expenses	626,086,000	566,591,000
Dry hole costs	68,569,000	50,462,000
Depreciation, depletion, and amortization (Note 3)	369,605,000	345,264,000
Interest charges	78,401,000	74,276,000
Taxes other than income taxes*	211,071,000	191,002,000
Provision for income taxes—current	315,650,000	183,050,000
—deferred (Note 5)	85,245,000	103,045,000
Minority interest in net income	9,091,000	7,100,000
	<u>\$5,955,324,000</u>	<u>\$5,495,543,000</u>
Net Income	\$ 822,016,000	\$ 769,804,000
Net income per share (based on average number of shares outstanding)	\$3.02	\$2.83
Retained Earnings:		
Balance at beginning of year	\$3,642,742,000	\$3,295,283,000
Add:		
Net income for the year	822,016,000	769,804,000
Deduct:		
Cash dividends—\$1.60 per share in 1970 and \$1.55 per share in 1969	435,768,000	422,345,000
Balance at end of year	<u>\$4,028,990,000</u>	<u>\$3,642,742,000</u>

*In addition, motor fuel and other taxes collected from consumers and paid (or accrued) to governmental agencies in the United States and abroad amounted to \$1,431,584,000 during 1970 and \$1,342,135,000 during 1969.

See accompanying notes to consolidated financial statements.



Consolidated Balance Sheet

As of December 31, 1970 and 1969

Assets	1970	1969
Current Assets:		
Cash	\$ 235,748,000	\$ 151,689,000
Marketable securities and cash investments—at cost	238,878,000	249,315,000
Accounts and notes receivable, less allowance for doubtful accounts of \$40,000,000 in 1970 and \$31,400,000 in 1969	1,455,742,000	1,367,756,000
Inventories—		
Crude oil, petroleum products, and other merchandise—at cost, determined on the first-in, first-out method, which in the aggregate was lower than market	641,336,000	620,534,000
Materials and supplies—at cost	51,422,000	51,744,000
Total current assets	\$ 2,623,126,000	\$2,441,038,000
Investments and Advances (Note 2)	\$ 672,068,000	\$ 603,527,000
Properties, Plant, and Equipment—at Cost:		
Producing	\$ 5,992,939,000	\$5,663,322,000
Manufacturing	1,921,420,000	1,846,796,000
Marketing	1,564,902,000	1,491,185,000
Marine	432,487,000	392,099,000
Pipe lines	329,800,000	312,972,000
Other	89,233,000	89,754,000
	<u>\$10,330,781,000</u>	<u>\$9,796,128,000</u>
Less—Depreciation, depletion, and amortization (Note 3)	3,724,062,000	3,576,313,000
Net properties, plant, and equipment	\$ 6,606,719,000	\$6,219,815,000
Deferred Charges	\$ 21,873,000	\$ 17,193,000
Total	\$ 9,923,786,000	\$9,281,573,000

Liabilities and Stockholders' Equity**Current Liabilities:**

Notes payable and long-term debt due within one year	\$ 390,575,000	\$ 308,452,000
Accounts payable and accrued liabilities	785,741,000	775,414,000
Estimated income taxes	328,497,000	212,534,000
Total current liabilities	<u>\$1,504,813,000</u>	<u>\$1,296,400,000</u>

Long-Term Debt (Note 4)	\$1,014,758,000	\$1,052,952,000
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Deferred Credits—Income Taxes (Note 5)	\$ 998,353,000	\$ 913,108,000
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Reserves (Note 6)	\$ 55,594,000	\$ 57,226,000
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Minority Interest in Subsidiary Companies	\$ 71,061,000	\$ 65,076,000
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Stockholders' Equity (Notes 4 and 7):

Capital Stock—par value \$6.25: Shares authorized—350,000,000		
Shares issued—274,285,254 in 1970 and 274,285,156 in 1969, including treasury stock	\$1,714,283,000	\$1,714,282,000
Paid-in capital in excess of par value (Note 8)	596,631,000	595,948,000
Retained earnings	4,028,990,000	3,642,742,000
	<u>\$6,339,904,000</u>	<u>\$5,952,972,000</u>
Less—Capital stock held in treasury—1,993,968 shares in 1970 and 1,813,629 in 1969, at cost	60,697,000	56,161,000
Total stockholders' equity	<u>\$6,279,207,000</u>	<u>\$5,896,811,000</u>
Total	<u>\$9,923,786,000</u>	<u>\$9,281,573,000</u>



See accompanying notes to consolidated financial statements.

Statement of Consolidated Source and Disposition of Funds

For the years ended December 31, 1970 and 1969

	1970	1969
Source:		
Net income	\$ 822,016,000	\$ 769,804,000
Depreciation, depletion, and amortization (Note 3)	369,605,000	345,264,000
Provision for income taxes—deferred (Note 5)	85,245,000	103,045,000
Equity in undistributed earnings of nonsubsidiary companies (Note 2)	(68,355,000)	(22,344,000)
Minority interest in net income	9,091,000	7,100,000
Provided by operations	\$1,217,602,000	\$1,202,869,000
Property, plant, and equipment retirements and sales	40,175,000	87,763,000
Additions to long-term debt (Note 4):		
Texaco International Financial Corporation:		
4¾% Convertible debentures	—	30,000,000
9½% Notes	22,099,000	—
Texaco Operations (Europe) Ltd. 5¾% Note	12,278,000	—
Other long-term debt	18,784,000	10,505,000
Other (net)	28,939,000	(31,050,000)
	\$1,339,877,000	\$1,300,087,000
Disposition:		
Property, plant, and equipment expenditures	\$ 796,684,000	\$ 693,097,000
Investments in nonsubsidiary companies	29,267,000	37,539,000
Total capital expenditures	\$ 825,951,000	\$ 730,636,000
Reductions in long-term debt	91,355,000	82,913,000
Purchases of treasury stock	10,002,000	8,146,000
Cash dividends paid to:		
The Company's stockholders	435,768,000	422,345,000
Minority stockholders of subsidiary companies	3,126,000	2,947,000
	\$1,366,202,000	\$1,246,987,000
Added to (or withdrawn from) working capital	\$ (26,325,000)	\$ 53,100,000
Working capital:		
At beginning of year	1,144,638,000	1,091,538,000
At end of year	\$1,118,313,000	\$1,144,638,000

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statements

Note 1. Principles of Consolidation

The accounts of Texaco Inc. and subsidiary companies owned more than 50% are included in the consolidated financial statements. Intercompany accounts and transactions are eliminated. Items recorded in foreign currencies are expressed in U. S. dollars at the appropriate rates of exchange, and gains and losses arising as a result of foreign currency conversions are reflected in income.

Note 2. Investments and Advances

	December 31, 1970	1969
Nonsubsidiary companies (owned 50% or less)		
At equity	\$443,984,000	\$378,747,000
At cost	162,119,000	142,451,000
Total	\$606,103,000	\$521,198,000
Less reserve	26,800,000	26,800,000
	\$579,303,000	\$494,398,000
Miscellaneous investments (at cost), long-term receivables, etc., less reserve	\$ 92,765,000	\$109,129,000
Total investments and advances . . .	\$672,068,000	\$603,527,000

The equity method of accounting is used for investments in 50%-owned companies and in the Arabian American Oil Company which is owned 30%. Under this method, equity in the earnings or losses of these nonsubsidiary companies is reflected currently in Texaco's earnings rather than when realized through dividends; such equity in earnings exceeded dividends received in 1970 and 1969 by \$68,355,000 and \$22,344,000, respectively. Investments in these companies reflect Texaco's equity in the book value of the underlying net assets of the companies. Separate financial statements for certain of these nonsubsidiary companies are included in reports filed with the Securities and Exchange Commission.

Investments in other nonsubsidiary companies are carried at cost. The Company's equity in the net earnings of these companies exceeded dividends received from such companies in 1970 and 1969 by approximately \$1,000,000 and \$2,000,000, respectively. Equity in the underlying net assets of nonsubsidiary companies carried at cost exceeded the carrying value of the investment in such companies by approximately \$20,000,000 and \$26,000,000 as of December 31, 1970 and December 31, 1969, respectively.

At December 31, 1970, investments in nonsubsidiary companies owned 50% or less consisted of \$537,867,000 applicable to companies operating in the Eastern Hemisphere and \$68,236,000 applicable to companies operating in the Western Hemisphere. At December 31, 1969, these investments were \$454,295,000 and \$66,903,000, respectively.

Note 3. Depreciation, Depletion, and Amortization

Depreciation, depletion, and amortization of properties, plant, and equipment related to exploration and producing activities are determined on the unit-of-production basis by applying the ratio of produced oil and gas to estimated recoverable oil and gas reserves. With respect to exploration activities, the Company capitalizes lease acquisition costs and costs related to the exploration for and development of oil and gas reserves, with the principal exceptions of expenditures in the United States for lease rentals and for intangible drilling costs applicable to dry holes. As a result, finding and development costs are allocated to the periods in which revenue is recognized as the oil and gas reserves are produced and sold.

For operations other than exploration and producing, depreciation is provided generally on the group plan with depreciation rates based upon estimated useful life applied to the cost of each class of property.

Note 4. Long-Term Debt

	December 31, 1970	1969
Texaco Inc.:		
2¾% Debentures, due 1971	\$ —	\$ 56,000,000
3½% Debentures, due 1983	150,000,000	150,000,000
4½% Notes, due in installments 1971 through 1989	138,750,000	142,500,000
5¾% Debentures, due 1997	200,000,000	200,000,000
The Texas Pipe Line Company:		
2.9% and 3.4% Notes, due in install- ments through 1974 and 1981	13,238,000	15,700,000
Texaco Operations (Europe) Ltd.:		
4½% Convertible debentures, due 1988	75,000,000	75,000,000
5¾% Note, due in installments 1972 through 1980	12,278,000	—
Texaco A.G.:		
5¾% Bonds, due 1983	9,259,000	9,259,000
s.a. Texaco Belgium n.v.:		
7% Notes, due in installments 1972 through 1983	90,000,000	90,000,000
Texaco International Financial Corporation:		
4½% Convertible debentures, due 1999	29,995,000	30,000,000
5% Convertible debentures, due 1986 .	190,104,000	190,104,000
9½% Notes, due in installments 1973 through 1980	22,099,000	—
Deutsche Texaco A.G. and subsidiaries:		
Secured notes at interest rates from 5½% to 6½%, due through 2003 . .	5,216,000	6,463,000
6% Mortgage bonds, due in install- ments to 1984	17,760,000	19,126,000
Unsecured notes at interest rates from 6¼% to 6¾%, due through 1979 . .	3,634,000	6,125,000
Other	9,299,000	12,751,000
Other long-term debt	48,126,000	49,924,000
Total long-term debt	\$1,014,758,000	\$1,052,952,000

The Texaco Operations (Europe) Ltd. 4½% convertible debentures are guaranteed by Texaco Inc. and are convertible into Texaco Inc. capital stock at \$44.25 a share.

The Texaco International Financial Corporation 4¾% convertible debentures are guaranteed by Texaco Inc. and are convertible into Texaco Inc. capital stock at approximately £20 a share. Texaco International Financial Corporation has issued \$30,000,000 of debentures of which \$5,000 have been converted and were held in the treasury of Texaco Inc. at December 31, 1970.

The Texaco International Financial Corporation 5% convertible debentures are guaranteed by Texaco Inc. and are convertible into Texaco Inc. capital stock at DM170 a share. Texaco International Financial Corporation has issued \$190,980,000 of debentures of which \$876,000 have been converted and were held in the treasury of Texaco Inc. at December 31, 1970.

Texaco Inc. capital stock reserved for the conversion of the convertible securities of Texaco Operations (Europe) Ltd. and Texaco International Financial Corporation at December 31, 1970 amounted to 6,788,902 shares.

Note 5. Deferred Credits—Income Taxes

The financial statements reflect provision for the deferred income tax effect related to transactions recorded in the accounts in a period different from that in which these transactions are reported for income tax purposes. The principal tax effects for which provision is made are those related to intangible drilling costs deducted for tax purposes, exploratory expenditures, depreciation, and employee plans. This accounting policy allocates the

income tax effect of transactions to the period in which such transactions are recorded for financial reporting purposes.

The deferred credits for income taxes shown in the balance sheet represent the cumulative effect of net charges against earnings to defer these income tax effects to appropriate future periods in the Company's financial statements.

Note 6. Reserves

	December 31, 1970	1969
Employee plans	\$49,890,000	\$51,830,000
Mining and damage claims	<u>5,704,000</u>	<u>5,396,000</u>
Total reserves	\$55,594,000	\$57,226,000

The Company and its subsidiaries have pension plans available to substantially all of their employees. The expense for these plans amounted to \$46,978,000 in 1970 and \$40,463,000 in 1969, which amounts are based on amortizing the actuarial cost of pension benefits over the estimated service lives of the employees involved. In general, provision is made for funding of pension costs by deposits with insurance companies and corporate trustees.

Note 7. Incentive Stock Option Plan

The Incentive Stock Option Plan was adopted in 1959 and expired in 1964. Options granted to executive and key employees are exercisable until ten years from the date granted. The option price is the fair market value of the stock on the date granted.

Options covering 31,964 shares were exercised during 1970. At the end of the year, options were outstanding for 97,304 shares at an average price of \$28.17 per share.

Note 8. Paid-in Capital in Excess of Par Value

Paid-in capital in excess of par value increased \$683,000 during 1970. This increase is attributable to the issuance of capital stock under the provisions of employee plans and conversion of debentures.

Note 9. Commitments and Contingent Liabilities

As of December 31, 1970, the Company and its subsidiary companies had long-term leases, expiring more than three years from such date, covering service stations, tankers, office buildings, and other facilities. Minimum amounts payable under such commitments, without reduction for related rental income, are expected to average approximately \$133,000,000 annually for the next three years. Rental income from certain of these properties subleased to others is estimated to average \$42,000,000 annually for the next three years.

The Company and its subsidiary companies were contingently liable in the amount of \$82,000,000 as guarantor on loans outstanding, principally of certain associated companies. Also, under long-term agreements with certain pipe line companies in which stock interests are held, the Company and its subsidiary companies guarantee specified revenue from product shipments and, in the event such companies are unable to meet debt obligations, funds may be advanced against future transportation charges. No loss is anticipated by reason of such obligations.

In the opinion of Company counsel, while it is impossible to ascertain the ultimate legal and financial liability with respect to other contingent liabilities, including lawsuits, Federal taxes, claims, guarantees, etc., the aggregate amount of such liability is not materially important in relation to the consolidated financial position of the Company and its subsidiaries.

Auditors' Report

ARTHUR ANDERSEN & Co. NEW YORK, N. Y.

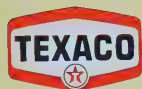
To the Stockholders, Texaco Inc. :

We have examined the consolidated balance sheet of Texaco Inc. (a Delaware Corporation) and subsidiary companies as of December 31, 1970 and 1969, and the related statements of consolidated income, retained earnings and source and disposition of funds for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Texaco Inc. and subsidiary companies as of December 31, 1970 and 1969, and the results of their operations and the source and disposition of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

March 1, 1971.

Arthur Andersen & Co.



Other Officers of Texaco Inc.

Augustus C. Long, Chairman of the Executive Committee and Chief Executive Officer, Marion J. Epley, Jr., Chairman of the Board, and Maurice F. Granville, President, are pictured on Page 2.



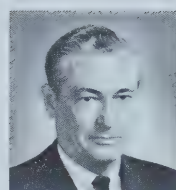
Archie W. Baucum
Executive Vice President



James H. Pipkin
Executive Vice President



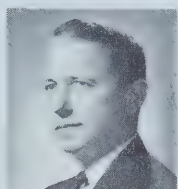
Laurie W. Folmar
Senior Vice President



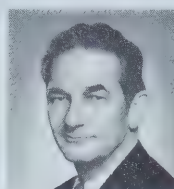
Annon M. Card
Senior Vice President



John W. Green
Senior Vice President



James W. Kinnear
Senior Vice President



John K. McKinley
Senior Vice President



John I. Mingay
Senior Vice President



William J. Coppoc
Vice President
Research and Technical



Stanley T. Crossland
Vice President
Finance and Economics



Alfred C. DeCrane, Jr.
Vice President
Producing—
Eastern Hemisphere



Paul B. Hicks, Jr.
Vice President
Sales—United States



Otis B. Hocker
Vice President
Producing—
United States (West)



Lebbeus C. Kemp, Jr.
Vice President
Houston



Kerry King
Vice President
Public Relations
and Personnel



Eddins W. McNealy
Vice President
Refining—Europe/Latin
America/West Africa



Cecil J. Olmstead
Vice President
and Assistant to
the President



Richard B. Palmer
Vice President
Exploration



Max Park
Vice President
Fuel Oil Sales—
United States



Ray Powell
Vice President
Refining—United States



Roland M. Routhier
Vice President
Supply and Distribution



W. Henry Ryer
Vice President
Sales—International



D. Allan Sedgwick
Vice President
Los Angeles



Amzy B. Steed
Vice President
and General Counsel



Homer O. Woodruff
Vice President
Producing—
United States (East)



Wilford R. Young
Vice President
and General Tax Counsel

The executive officers of Texaco Inc. are Messrs. Long, Epley, and Granville and the men whose photographs and responsibilities appear on this page. They average 55 years in age and 29 years in service with the Company. The organization of Texaco Inc. is highly centralized with respect to the formation of policy and budget, but is decentralized in the implementation of established policies and budgeted programs. The responsibility for performance is delegated to each department of Texaco Inc. in the United States and to each Texaco company in other countries.



William J. Clayton
Secretary



William R. Love
Comptroller



Edward W. Wolahan
Treasurer



Texaco Inc. and Subsidiary Companies

Ten-Year Financial Summary

Dollar amounts in millions, except where noted

Year	Gross Income	Net Income			Dividends			Capital and Exploratory Expenditures	Taxes Paid or Accrued			Total
		Total	Per Share (dollars)	Per Dollar of Gross Income	Total Cash	Per Share (dollars)	Stock		Income and Operating Taxes	Import Duties and Other Levies	Taxes Collected from Consumers	
1970	\$6,777.3	\$822.0	\$3.02	12.1¢	\$435.8	\$1.60	—	\$ 906.1	\$526.7	\$537.0	\$1,431.6	\$2,495.3
1969	6,265.3	769.8	2.83	12.3	422.3	1.55	—	791.9	374.1	512.1	1,342.1	2,228.3
1968	5,933.5	819.6	3.02	13.8	394.0	1.45	—	1,065.3	370.2	457.5	1,261.6	2,089.3
1967	5,529.6	750.5	2.77	13.6	365.6	1.35	—	893.7	322.3	441.8	1,090.2	1,854.3
1966	4,780.2	671.8	2.49	14.1	337.6	1.25	—	737.4	279.7	391.8	794.2	1,465.7
1965	4,055.9	590.9	2.19	14.6	331.3	1.23	—	718.9	209.5	331.0	707.5	1,248.0
1964	3,834.7	540.7	2.00	14.1	296.4	1.10	5%	604.8	199.7	284.4	644.4	1,128.5
1963	3,711.8	516.0	1.90	13.9	267.6	1.00	—	625.3	177.8	266.3	610.3	1,054.4
1962	3,553.4	472.2	1.76	13.3	234.1	.88	—	542.4	165.7	249.9	578.7	994.3
1961	3,351.1	426.9	1.60	12.7	191.5	.74	—	524.7	163.7	238.8	550.9	953.4

Financial Condition at Year-End

Year	Current Assets	Current Liabilities	Working Capital	Current Ratio	Total Assets	Long-Term Debt	Stockholders' Equity		Stockholders		Employees	
							Net Book Value	Per Share at Year-End (dollars)	Average Number of Shares Outstanding (thousands)	Number at Year-End	Number at Year-End	Payrolls and Benefits
1970	\$2,623.1	\$1,504.8	\$1,118.3	1.74	\$9,923.8	\$1,014.8	\$6,279.2	\$23.06	272,344	283,296	73,734	\$705.8
1969	2,441.0	1,296.4	1,144.6	1.88	9,281.6	1,053.0	5,896.8	21.64	272,480	243,463	72,572	637.3
1968	2,349.6	1,258.1	1,091.5	1.87	8,870.2	1,095.4	5,552.1	20.38	271,640	212,082	79,843	614.3
1967	2,239.4	1,146.9	1,092.5	1.95	8,069.5	938.7	5,096.6	18.82	270,806	213,195	81,130	576.7
1966	1,997.8	1,043.9	953.9	1.91	7,270.0	739.7	4,713.1	17.41	270,316	215,283	80,711	501.5
1965	1,587.4	712.3	875.1	2.23	6,185.3	442.8	4,385.3	16.23	270,400	207,905	58,318	430.0
1964	1,544.9	628.0	916.9	2.46	5,767.6	440.2	4,144.1	15.32	270,636	189,882	57,463	410.6
1963	1,365.4	575.8	789.6	2.37	5,316.6	325.3	3,918.3	14.46	271,010	177,412	56,853	406.2
1962	1,364.5	517.1	847.4	2.64	4,941.8	318.9	3,653.3	13.66	267,654	172,061	56,565	380.4
1961	1,312.5	525.8	786.7	2.50	4,690.9	335.6	3,422.6	12.79	266,988	165,571	58,054	377.0

Ten-Year Operations Summary

In thousands of barrels a day, except where noted

A financial and statistical supplement to Texaco's 1970 Annual Report will be made available to stockholders and others who request it. To obtain a copy, please write to William J. Clayton, Secretary, Texaco Inc., 135 East 42nd Street, New York, N.Y. 10017.

Worldwide—including equity in affiliates

Year	Gross Production of Crude Oil and Natural Gas Liquids			Net Production of Crude Oil and Natural Gas Liquids			Refinery Runs*			Petroleum Product Sales			Natural Gas Sales (millions of cubic feet a day)
	Western Hemisphere	Eastern Hemisphere	Total World-wide	Western Hemisphere	Eastern Hemisphere	Total World-wide	Western Hemisphere	Eastern Hemisphere	Total World-wide	Western Hemisphere	Eastern Hemisphere	Total World-wide	
1970	1,354	1,874	3,228	1,163	1,824	2,987	1,521	1,198	2,719	1,645	1,272	2,917	4,026
1969	1,291	1,696	2,987	1,106	1,649	2,755	1,479	1,103	2,582	1,603	1,136	2,739	3,661
1968	1,283	1,513	2,796	1,096	1,475	2,571	1,461	942	2,403	1,516	1,063	2,579	3,262
1967	1,281	1,301	2,582	1,094	1,273	2,367	1,380	804	2,184	1,391	978	2,369	2,887
1966	1,178	1,072	2,250	1,006	1,051	2,057	1,322	665	1,987	1,310	789	2,099	2,560
1965	1,094	933	2,027	934	919	1,853	1,249	593	1,842	1,225	672	1,897	2,074
1964	1,038	793	1,831	886	781	1,667	1,207	494	1,701	1,167	593	1,760	1,998
1963	989	760	1,749	845	750	1,595	1,154	438	1,592	1,111	558	1,669	1,863
1962	905	727	1,632	775	718	1,493	1,081	405	1,486	1,054	503	1,557	1,705
1961	842	663	1,505	726	654	1,380	1,042	369	1,411	1,021	450	1,471	1,578

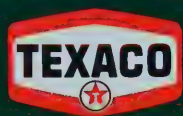
Texaco Inc. and Subsidiary Companies

In thousands of barrels a day

Year	Production of Crude Oil and Natural Gas Liquids		Refinery Runs	Refinery Crude Oil Capacity	Petroleum Product Sales	Pipe Line Deliveries	Cargo Carried by Marine Fleet	Number of Wells Drilled		Length of Pipe Lines (miles)	Tonnage of Ocean Tankers, Owned and Term Chartered
	Gross	Net						Gross	Net		
1970	1,762	1,522	1,850	1,955	2,438	2,007	2,558	1,902	1,271	7,409	10,254,280
1969	1,681	1,450	1,801	1,850	2,316	1,956	2,605	1,494	994	7,095	7,972,233
1968	1,593	1,371	1,671	1,743	2,171	1,846	2,329	1,445	876	6,955	7,173,223
1967	1,516	1,302	1,504	1,631	1,960	1,795	1,939	1,691	1,086	6,867	5,955,572
1966	1,336	1,145	1,399	1,456	1,715	1,585	1,609	2,054	1,521	6,767	3,430,461
1965	1,188	1,016	1,291	1,363	1,531	1,449	1,456	2,064	1,570	6,668	3,196,786
1964	1,104	944	1,179	1,331	1,441	1,335	1,254	2,077	1,593	6,776	2,853,301
1963	1,041	891	1,115	1,198	1,371	1,258	1,199	2,149	1,765	6,740	2,600,580
1962	946	811	1,045	1,103	1,285	1,171	1,079	2,176	1,741	6,941	2,378,737
1961	875	755	1,009	1,084	1,228	1,089	1,011	2,324	1,783	6,929	2,421,053

*Includes runs by affiliated companies, on the basis of volumes processed for the Company or the Company's equity in volumes processed for affiliated companies.

Texaco Inc.
135 East 42nd Street, New York, N.Y. 10017



Working to keep your trust

AR25



*Report of the
1970
Annual
Meeting of
Stockholders
Including
Interim Report
for the
First Three
Months*

TEXACO INC.

WELCOME



1970 ANNUAL
MEETING OF
STOCKHOLDERS



A larger than life-size Texaco retailer welcomes stockholders to the Company's 1970 Annual Meeting, held at The Plaza Hotel in New York City.

TEXACO

May 26, 1970

To the Stockholders:

The 1970 Annual Meeting of Texaco Stockholders took place on April 28 at The Plaza Hotel in New York City. Some 650 persons attended, and a total of 231,896,522 shares, or 85.1% of those outstanding, was represented in person or by proxy.

It is the Company's practice to rotate the meeting place among major cities in the United States in order to give as many of our stockholders as possible an opportunity to participate directly in the affairs of their Company and to meet Texaco's Directors and Officers. In recent years, our meetings have been held in Denver, St. Louis, Atlanta, Dallas, New Orleans, Los Angeles, Boston, Chicago, and Houston.

This post-meeting report is being published to provide all stockholders with a summary of the proceedings. It also includes the Company's statement of consolidated income and other financial and operating data for the first quarter of 1970, and announcement of the declaration of the regular quarterly dividend of 40 cents a share by the Board of Directors immediately following the Annual Meeting.

On behalf of the Board of Directors, we wish to take this opportunity to thank the Company's stockholders for their continuing support and confidence.

Sincerely,



J. HOWARD RAMBIN, Jr.
Chairman and Chief Executive Officer



MARION J. EPLEY, Jr.
President

Texaco's 1970 Annual Meeting

The Annual Meeting was called to order at 10:30 a.m. by J. Howard Rambin, Jr., Chairman of the Board of Directors. Mr. Rambin greeted the stockholders with these remarks:

Proceedings

It is a great pleasure for me to welcome all of you to the 1970 Annual Meeting of Stockholders.

As you know, it has been Texaco's policy to rotate our Annual Meetings among various cities throughout the United States. We have followed this practice in order to enable as many of our stockholders as possible to participate, and I am pleased that so many of our stockholders in the New York area are here today.

You will be interested to know that the Texaco stockholder family is continuing to grow at unprecedented rates. The number of registered stockholders climbed from about 216,000 in mid-1969, when the stock was split two-for-one, to 243,000 at the year-end. At the present time, the total number of stockholders is more than 260,000. We are very pleased with this growth.

I hope that everyone had an opportunity to view the displays in the lobbies before coming into the meeting. These displays feature three important themes: First, the importance of trained and dedicated personnel in the successful operation of our business; second, the extensive and constructive efforts being made by your Company to meet the environmental problems with which we are all concerned today; and finally, the tremendous energy growth anticipated during the 1970's and 1980's. We will report more fully on each of these themes during the course of this meeting.

At this time, I wish to call your attention to the agenda placed on each chair. This will provide you with the order of business that will be followed during the meeting.



Texaco stockholders register on arrival ...



... and are shown to their seats by employee-usherettes.



More than 650 Texaco stockholders are on hand to hear J. Howard Rambin, Jr., Chairman of the Board and Chief Executive Officer, and Marion J. Epley, Jr., President, make their reports.



Chairman Rabin: "Your Company in 1969 reached all-time highs in petroleum production, refinery throughput, product sales, and gross income, as well as in total assets and dividend payments."

The Chairman's Statement

Mr. Rambin began his presentation to the Company's stockholders as follows:

Now I would like to comment concerning your Company's performance last year and during the first quarter of 1970. Each of you has had an opportunity to review the Annual Report, which shows that your Company in 1969 reached all-time highs in petroleum production, refinery throughput, product sales, and gross income, as well as in total assets and dividend payments. Net income was approximately \$770,000,000—the second highest in Texaco's history. This was about 6% below the record earnings level established in 1968.

First-Quarter Results

During the first quarter of 1970, operations once again reached new high levels in every aspect of our business. Including our interests in affiliated companies, gross production of crude oil and natural gas liquids rose 8.3% above that of the first quarter of 1969 to 3,187,000 barrels a day. Refinery runs were up 10.7% to 2,746,000 barrels a day. Petroleum product sales climbed 6.7% to 3,062,000 barrels a day. Natural gas sales increased 14% to 4,274,000,000 cubic feet a day. Gross income increased 7.3% to \$1,651,000,000.

Net income for the first quarter totaled \$205,423,000, or 2.7% above our earnings of \$200,011,000 for the similar quarter of last year. On a per-share basis, our first-quarter earnings amounted to 75 cents this year, compared with 73 cents last year.

We are at present planning capital and exploratory expenditures totaling almost \$900,000,000 during 1970, compared with \$792,000,000 in 1969. On a functional basis, with emphasis on the natural resources fundamental to our business, exploration and producing investments are expected to account for more than half of these expenditures.

Mr. Epley, President of the Company, will now give you some of the highlights of our operations.

The President's Statement

Marion J. Epley, Jr., President, reported on the Company's operations as follows:

Exploration and Producing

One of the more significant factors affecting your Company's progress during the coming year is a large-scale, aggressive exploration and production program now being carried on within the United States.

During 1968 and early 1969, critical commitments in Europe and the Far East made it desirable for Texaco to place special emphasis on developing additional productive capacity in the Eastern Hemisphere. The extraordinary growth of the European and the Japanese and other Far Eastern markets necessitated a rapid build-up in crude oil production in such important areas as Libya, Saudi Arabia, Iran, and Indonesia.

During the same period, your Company was also making heavy investments in the United States to construct pipe lines and plant facilities required to bring to market new reserves of natural gas, located principally in southern Louisiana. This expanded system will serve rising demand in the lower Mississippi River region.

I am now pleased to report that the objectives we set for ourselves have been realized. We materially increased crude oil production in the Eastern Hemisphere, and we are marketing substantial additional amounts of natural gas in the United States. At the same time, we were able to increase annually our oil production in this country.

While these programs were in effect, we also continued to acquire new acreage in the United States, and our exploratory drilling program found substantial new reserves.

Results of the renewed emphasis on our producing program in the United States are already apparent. During the first quarter of 1970, Texaco had more than twice as many development rigs in operation as in the comparable periods of both 1968 and 1969. This activity is already resulting in production increases in crude oil and natural gas liquids, and natural gas.

Our worldwide exploration and development program is also being maintained at a high level. We are actively engaged in a multitude of projects that span continents and oceans in our continuing search for oil and gas. These efforts are aimed at assuring our Company of an adequate and flexible future supply of petroleum from wide and diverse sources, strategically located in both hemispheres. At this time, outside the United States, we have production in 15 countries



President Epley: "One of the more significant factors affecting your Company's progress during the coming year is a large-scale, aggressive exploration and production program now being carried on within the United States."

and are conducting exploration operations in some 40 countries. Some of these activities may be of particular interest to you.

We have acquired substantial holdings in new areas of considerable potential. These include a 40% undivided interest in two blocks offshore South Korea, totaling 21 million acres; a 50% undivided interest in a 6.7-million-acre block offshore South-West Africa; and a 50% undivided interest in a 13.4-million-acre block in the Java Sea offshore Indonesia.

The latter acquisition supplements our one-half interest in 5,500,000 acres located in central Sumatra. In all, Texaco has a 50% interest in some 18,900,000 acres in Indonesia. Our liftings from Indonesia have risen from 72,000 barrels a day in 1960 to 360,000 barrels a day at the present time—or approximately 43% of Indonesia's total production. We are currently evaluating two very encouraging discoveries made in central Sumatra during the first quarter, and we are preparing to begin exploration of the Java Sea tract.

In view of increasing worldwide needs for large quantities of low-sulphur crude oil, we regard Indonesia as an area of considerable importance and great promise.

In Europe, we have initiated an exploratory drilling program on a wholly owned, 1,000,000-acre block in the Gulf of Thermaikos, off the northeast coast of Greece.

New developments in Africa include plans to begin exploratory drilling on a wholly owned 1,280,000-acre block offshore Ghana, and a drilling rig is en route now. In Nigeria, we commenced production early this year from a discovery made on a 50%-owned, 600,000-acre offshore tract in 1965. An active exploration program is also under way in Nigeria.

In late March, a new field was discovered in the Amazon Basin of northern Ecuador, where Texaco has a 50% interest and is the operator in a major oil play. This is the tenth new field we have discovered in eleven wildcat tests in the area during the past three years. This is an unusual string of successes. To bring this oil to market, the right-of-way has been cleared for construction of the 250,000-barrel-a-day Trans-Ecuadorian pipe line. This 318-mile-long line will cross the Andes to the Pacific coast port of Esmeraldas, where preliminary work on a large marine terminal has begun.

Just across the border, in southern Colombia, production from four fields is moving at a rate of 73,000 barrels a day through the Trans-Andean pipe line to the port of Tumaco on the Pacific. Present plans call for increasing throughput to the line's full capacity of 100,000 barrels a day during 1970 by bringing on production from recently discovered

fields. Texaco's one-half interest in production from the Colombian Amazon Basin increased our total Colombian production during the first quarter of 1970 by 58% over our production in the first quarter of last year.

With our total worldwide production running at more than 3,000,000 barrels a day, a continuing, aggressive effort to replenish and increase our reserves is essential to our future growth and development. I am pleased to tell you that each year, for many, many years, the increase in Texaco's reserves of crude oil, both in the United States and abroad, has been more than enough to replace the production from our substantial worldwide reserves.

Manufacturing

In order to maintain a desirable balance with increased production and sales, Texaco has been steadily adding to its manufacturing capacity. We have accomplished this by constructing new refineries where needed, by enlarging existing facilities, and by upgrading the yield and value of products manufactured from crude oil. In our manufacturing operations, we have stressed the importance of running as close to maximum capacity as possible at all times in order to utilize fully our tremendous capital investments in plant and equipment.

During the first quarter of this year, our worldwide refinery runs, including equity in affiliates, averaged 105.8% of aggregate rated capacity. In the United States, in Texaco's 12 refineries, we ran at a rate of 977,000 barrels a day, or 101.8% of total rated capacity.

Construction is progressing on schedule for the 80,000-barrel-a-day expansion of the Port Arthur, Texas, refinery. When these facilities are completed late this year, the Port Arthur Plant will be Texaco's largest wholly owned refinery, with a rated capacity of 390,000 barrels a day. This expansion will bring our total U.S. rated refining capacity to more than 1,000,000 barrels a day.

Construction of the 1,300-mile-long Explorer pipe line system, 16% owned by Texaco, is scheduled to begin this year and to be completed by late 1971. This line will provide added transportation for Texaco products from Port Arthur to Dallas, Ft. Worth, Tulsa, St. Louis, and Chicago.

In Europe, we are constructing new facilities to handle our mammoth 255,000-deadweight-ton tankers, which supply crude oil to our wholly owned refinery at Pembroke, Wales, and to the crude oil terminal at Europoort in the Netherlands. Our aggregate equity refining capacity in Europe is now approaching 600,000 barrels a day.

In the Far East, our refining operations are conducted through Caltex Petroleum Corporation, in which we have *(Text continues on Page 12)*





Before the Annual Meeting is called to order, Directors (left to right) Long, Norris, Williams, Parker, Harris, Roosa, Burke, Phipps, Robinson, and Humphrey take their front-row seats.

a half interest. The 60,000-barrel-a-day refinery at Yosui, South Korea, 50% owned by Caltex, which went on stream a year ago, is scheduled to be expanded to 100,000 barrels a day by the end of this year. Construction of the 25,000-barrel-a-day refinery on Okinawa, 33.9% owned by Caltex, and the 80,000-barrel-a-day refinery at Osaka, Japan, 50% owned by Caltex, is proceeding on schedule. Completion of the Osaka Plant next year will bring Texaco's equity interest in Japanese refinery capacity to 134,000 barrels a day.

Marketing

Petroleum product prices, following a trend that has existed for a number of years, are generally depressed worldwide. With only scattered exceptions, prices are not at satisfactory levels to provide the capital needed for future growth.

In the United States, where Texaco is a leading marketer of automotive gasoline, our gasoline sales volume increased during the first quarter of 1970, compared with the first three months of 1969. At the end of March, the Company increased wholesale gasoline prices in the United States by seven-tenths of a cent a gallon.

In this connection, it should be noted that retail gasoline prices have been rising at a rate far below that of other consumer prices in the United States. As of March 1, 1970, the consumer price index of all items was 33% higher than in 1957-1959, which is the three-year period used by the United States Government as the base for price indexes. In comparison, service station gasoline prices, excluding taxes, had risen only 10%. Meanwhile, there were increases of 32% for bread, 33% for meat, 41% for shelter, and 60% for medical care—and per capita taxes rose a staggering 115%.

These figures clearly indicate that, even with the recent increase, gasoline price rises have been modest in comparison with price increases for other essential purchases.

A number of new marketing programs have been introduced to increase our sales and our profitability in the United States. Throughout the past year we have taken strong, positive measures to introduce new service station designs that are compatible with the local community and to reduce the number of signs displayed at existing Texaco service stations.

Earlier this month, "Lead-free Texaco" gasoline was introduced at strategically located service stations in the Los Angeles Basin. This new product, manufactured from premium base stocks, was first offered in Los Angeles because of that area's unique environmental problems. Public reaction has been quite gratifying.

During the first quarter, initial deliveries were made of normal paraffins manufactured by the new plant of the Mitsui-Texaco Chemicals Company in Japan. Production from this jointly owned facility further strengthens Texaco's position as a major supplier of basic petrochemical feedstocks to world markets.

Texaco's European development program, which has been maintained at high levels during the past four years, was further advanced in the first quarter by an expansion of our interests in France. In order to strengthen our position in this major market, we acquired a 10% interest in Socantar, a holding company that controls Antar, a major refining and marketing organization in France. At present, Antar has approximately 10% of the French market for petroleum products.

In Latin America and West Africa, prospects are bright for increased sales in 1970. During the first three months, sales increased in both of these areas.

Caltex continues to maintain an excellent marketing position within its huge, 60-country market area, most of it east of Suez. Crude and product sales by Caltex, in which Texaco has a half interest, rose to more than 1,200,000 barrels a day in 1969. These sales continued to show increases during the first quarter of this year.

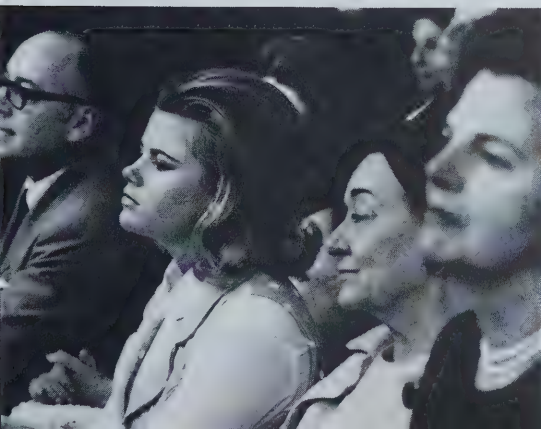
Marine

Increases in all our operations have required steady expansion of our marine fleets in order to meet worldwide transportation needs. Because global trade patterns in crude oil have changed considerably in recent years, the present trend in the industry is toward construction of mammoth tankers.

In 1967, when the Suez closure created a sudden demand for additional tonnage, Texaco had already embarked on a building program for mammoth tankers. This program has grown steadily, and by the end of 1970 we will have in operation eight tankers of over 200,000 deadweight tons each. By the end of 1973, we will have 22 owned and chartered tankers of this size, trading principally from the Middle East to major world markets.

This brief review of current operations indicates the broad scope of your Company's activities. More than that, I believe it demonstrates your Company's dynamic progress—progress that is reliably supported by an extensive and far-reaching research and technical program; progress that is based on a modern, well-balanced international organization that is dedicated to supplying the petroleum needs of the Free World, today and tomorrow. *(Text continues on Page 17)*





The proceedings of the Annual Meeting are followed attentively by stockholders.



A group of stockholders views Chairman Ramin on large-screen, closed-circuit television. Because of the heavy attendance, some stockholders were accommodated in a second room equipped with a two-way communication system.

The Chairman's Concluding Remarks

Mr. Ramin concluded his presentation by discussing some important issues, as follows:

Now I should like to discuss a subject of particular interest to all of us here today: Texaco's place in our rapidly changing world, now and in the future.

Today's world is very different from the world of 10 or 20 years ago. Population growth, urbanization, and accelerating technology have greatly altered both the realities and the expectations of mankind.

Our generation has seen living standards rise to unprecedented levels in many parts of the world. We have learned to communicate with each other to a degree unimaginable a few decades ago. We have watched our fellow men cruise the floors of the earth's oceans. We have seen them walking on the moon.

The oil industry has played a major role in bringing these changes about. Little progress is made without energy. All of man's material advances depend upon it. As the world's major energy supplier, the oil industry has made energy products available in quantities and of qualities inconceivable not long ago. We have also made available, through petrochemicals, products that were unheard of a generation ago.

In meeting these demands, we have seen our markets grow at phenomenal rates, and we can foresee vastly enlarged markets not many years away.

As you entered this meeting place this morning, you passed a series of displays all related to your Company's expanding future. They dealt with three basic themes:

First, the need for trained people of the highest quality, properly organized, who have the will and determination to carry out your Company's objectives.

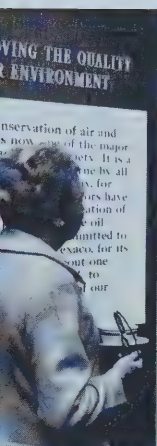
Second, the need to protect the quality of our environment.

And, third, the tremendous amounts of energy the world will require in the years to come.

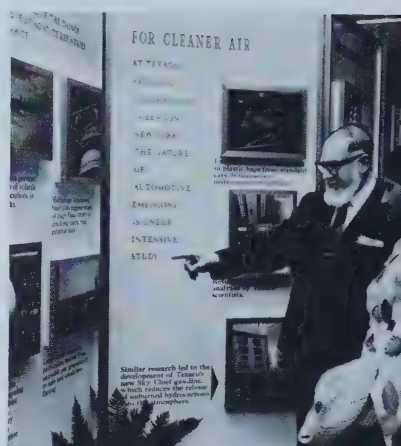
In order to attract to Texaco the finest people available, your Company is today placing greater stress than ever before on manpower management and planning, on modes and methods of compensation, and on job satisfaction. We have increased our contributions to education, including provision for assisting the children of our own employees. We are also contributing (*Text continues on Page 20*)

Before the Meeting . . .

Stockholders view special exhibits related to the Company's expanding future.



A pictorial display illustrates Texaco's commitment to environmental quality.



Stockholder points to photograph depicting Texaco's efforts to make our air cleaner.



A "People of Texaco" display emphasizes reliance on employees who have the determination and the ability to achieve the Company's objectives.



Stockholders study displays that describe the many ways Texaco protects water resources.



Photographs featuring the Company's principal operations dramatize the tremendous petroleum energy demands that will arise in the years to come.

to the training and education of young people from minority groups.

The challenges of the future are immense. I am personally convinced that the future of the world and its peoples rests largely on the ability of industry to measure up to them. Industry needs young people capable of taking the fullest advantage of the opportunities ahead to meet the needs of our growing, dynamic society.

Reclaiming and preserving the quality of the environment is one of those challenges. It is a challenge we must all accept. Let me assure you, Texaco is fully committed to doing its fair share.

We are continually surveying all of our activities to improve, to the fullest extent, our policies and practices relating to air and water conservation. Many of these practices have been in effect and enforced for a very long time. One of our primary research objectives is to find new and better ways to protect and improve our environment.

Let me review some of the principal points in our present program.

Texaco, in its instructions to the masters of all its vessels, has for many years prohibited the discharge overboard of any oil or any oil-contaminated ballast anywhere in the world. Our refineries are being equipped with modern filtration and treatment facilities to eliminate pollution of both water and air in the course of our normal operations. All of our drilling and producing procedures are designed to prevent pollution of any kind.

We are carrying out extensive research, both directly and in cooperation with others, to determine more effective ways to prevent, contain, and clean up oil spills from whatever source. Our research in this area also extends to the use of our products. This includes automotive research aimed at developing techniques to help make the internal combustion engine virtually emissions-free.

The lead-free gasoline that we introduced in the Los Angeles Basin was designed not only to assist that area in solving its air pollution problem, but also to demonstrate our willingness to respond to increasing public concern for environmental values.

In the world of business, cash expenditures are a reliable indicator of real interest. The petroleum industry in the United States is currently spending more than one million dollars a day on environmental control programs. Texaco is participating fully in this effort to improve our natural environment, and I am confident that we will be able to develop the technological capability needed to supply future energy demands in a manner compatible with reasonable environmental standards.

Future energy demand—the third theme in our display—will be enormous even by today's standards. Our projections show that by

the year 1990 the United States will be consuming some 26,000,000 barrels of petroleum liquids a day. This is equivalent to the total demand of the entire Free World only five years ago. Outside the United States, demand for petroleum energy will rise even faster. In order to supply total Free World markets in 1990, the oil industry will have to increase its production, refining, and marketing rates to approximately 93,000,000 barrels a day—almost triple the current rate.

Increases of this magnitude will require greatly expanded exploration and development programs. In order to meet increasing petroleum demand in the Free World over the next 20 years, while merely maintaining proved reserves at 1970 levels, the industry will have to discover approximately 500 billion barrels of oil—an amount almost equal to total discoveries during the past 100 years.

These projections clearly indicate the great opportunities for growth available to the petroleum industry in the years ahead. The achievement of these opportunities will call for capital investments on an equally gigantic scale—more than \$500 billion in today's dollars between now and 1990. To generate funds of this magnitude will require an adequate return on investment and a climate of mutual understanding between government, the public, and industry.

Petroleum continues to be the major supplier of energy in the world and is clearly a major growth industry. It will meet the challenges and opportunities of the future as it has successfully met those of the past, and in doing so it will help provide the basic building block for the most progressive society and the highest standards of living the world has ever known. We are tremendously optimistic for the future and assure you that your Company—Texaco—will continue to be a leader in every phase of the programs that lie ahead.

In conclusion, I wish to express the sincere gratitude of the Company's management for the tremendous efforts put forth during the past year by our more than 70,000 employees. We also appreciate the continued support of the Company's widespread family of stockholders as well as the guidance and counsel of the shareholders' elected representatives, the members of Texaco's Board of Directors, who have contributed so unsparingly of both their time and talents.

Business Session

The following matters came before the meeting in accordance with the agenda:

Election of Directors

All 12 nominees, as named in the Proxy Statement, were elected Directors of the Company for a term of one year or until their respective successors have qualified. The Directors of the Company are:

Arleigh Burke	Admiral, U.S. Navy (Ret.), Chairman of the Center for Strategic and International Studies, Georgetown University, Washington, D.C.
Marion J. Epley, Jr.	President of Texaco Inc., New York, N.Y.
Henry U. Harris	Chairman of the Board and Chief Executive Officer of the stock brokerage firm of Harris, Upham & Co., Incorporated, New York, N.Y.
Gilbert W. Humphrey	Chairman of the Board of The Hanna Mining Company, Cleveland, Ohio
Augustus C. Long	Miami, Fla. (formerly Chairman of the Board and Chief Executive Officer of Texaco Inc.)
Lester J. Norris	Chairman of the Board of the State Bank of St. Charles, Ill.
George Parker, Jr.	Attorney, San Antonio, Texas
Ogden Phipps	Chairman of the Board of Bessemer Securities Corporation, New York, N.Y.
J. Howard Ramin, Jr.	Chairman of the Board and Chief Executive Officer of Texaco Inc., New York, N.Y.
Dwight P. Robinson, Jr.	Consultant, Massachusetts Financial Services, Inc. (investment advisor to Massachusetts Investors Trust and Massachusetts Investors Growth Stock Fund, Inc.), Boston, Mass.
Robert V. Roosa	Partner in the private banking firm of Brown Brothers Harriman & Company, New York, N.Y.
Langbourne M. Williams	Chairman of the Executive Committee of Freeport Sulphur Company, New York, N. Y.



Henry U. Harris nominates the Directors.

The Chairman introduced the Directors, all of whom were present, and the following Texaco executives: Archie W. Baucum, John W. Green, and James H. Pipkin, Executive Vice Presidents; Wallace E. Avery, William G. Copeland, William J. Coppoc, Stanley T. Crossland, Charles H. Dodson, Laurie W. Folmar, Maurice F. Granville, Paul B. Hicks, Jr., Otis B. Hocker, Lebbeus C. Kemp, Jr., Kerry King, James W. Kinnear, John K. McKinley, Eddins W. McNealy, John I. Mingay, Richard B. Palmer, Max Park, W. Henry Ryer, and Homer O. Woodruff, Vice Presidents; Amzy B. Steed, Vice President and General Counsel; Wilford R. Young, Vice President and General Tax Counsel; William J. Clayton, Secretary; William R. Love, Comptroller; Edward W. Wolahan, Treasurer; and Annon M. Card, Chairman of the Board of Texaco Europe Ltd.

Approval of Auditors

The appointment of Arthur Andersen & Co. by the Board of Directors to audit the accounts of the Company and its subsidiaries for 1970 was approved by a vote of 231,656,461 shares, or more than 99.9% of the shares voted.

Discussion from the Floor

The Chairman explained that since attendance had exceeded the capacity of the Grand Ballroom, additional accommodations had been arranged in the Terrace Room and that it was provided with closed-circuit, large-screen color television. He invited the stockholders to ask questions or to make comments.

One stockholder asked about the attendance at meetings of Tex-

aco's Board of Directors. Mr. Rambin replied that attendance is nearly 100% at all meetings.

Another stockholder noted that Texaco has a very fine auditing firm but suggested that consideration be given to the rotation of auditors.

In response to a question concerning accounting procedures, Robert L. May, a partner in Arthur Andersen & Co., explained that the auditors had been shown everything they had asked to see and that all of the records appropriate for their examination had been made available.

In response to a query, Mr. Rambin called on William R. Love, Comptroller, to explain an item in the 1969 Annual Report covering the disposition of the coal mining operations of Deutsche Erdöl A.G. Mr. Love pointed out that the net result of the transfer of DEA's coal mining operations, together with related assets, liabilities, and reserves, to Ruhrkohle A.G. was that Texaco had relinquished more liabilities than assets. This resulted, Mr. Love said, in a nominal increase in earnings.

Another stockholder expressed his appreciation for the alertness and courtesy of the Port Arthur refinery in recovering his wife's coat, which had been lost along the road during a visit to this plant. The coat had been recovered and shipped to the stockholder's residence.

Mr. Rambin thanked the stockholder for commenting on this type of performance. Noting that Texaco takes great pride in the way in which it conducts its business, he said Texaco management would be pleased to receive visits from stockholders at Company facilities.

A stockholder, who is also a Texaco distributor in Trinidad, congratulated Texaco management on its farsighted marketing policies and practices both in his country and elsewhere. He also reported that the recent disturbances in Trinidad had not affected the operations or facilities of Texaco Trinidad, Inc.

Another stockholder asked what is being done about oil spills. Mr. Rambin stated that Texaco is determined to do everything possible to avoid pollution and called on Kerry King, a Texaco Vice President and the Chairman of the American Petroleum Institute's Committee on Air and Water Conservation, to comment in more detail.

Mr. King said Texaco is dedicated to making further progress in controlling oil spills. The best answer, he observed, is prevention. When an unforeseen accident does occur, however, the spill must be contained and cleaned up to see that it does not damage the environment. With respect to drilling operations, Mr. King pointed out that the industry has drilled some 8,000 wells offshore in the United States. Of this total, only 24 have blown out, of which 18 were gas wells and

caused no pollution whatsoever. Of the six oil wells that blew out, only the one off Santa Barbara caused pollution of a serious nature.

Mr. King also explained that the petroleum industry at present is engaged in a number of research projects to determine better methods to cope with oil spills. One of these is called "Sea Dragon." It employs V-shaped booms to collect oil from the open sea and operates in waves of from four to eight feet. Sea trials are scheduled to take place soon off the California coast, he said. Mr. King said that the oil industry recognizes that the tremendous job of providing the nation and the Free World with vital energy needs must be carried on in a manner compatible with our environment. As soon as operating practices, improved technology, and sincere determination can get this problem solved, he added, we will solve it.

The Chairman was asked to comment on the Company's position on oil imports and the future impact of nuclear power.

Mr. Rambin reiterated the Company's conviction that the present oil import control program is vital to our national security. He said we must not be fooled or lulled into the hope that foreign oil can enter this country at a cost lower than that of producing our own reserves. The moment foreign oil has the upper hand, he said, the price for it will rise. He observed that he is deeply dedicated to the security of this country and that he wants to see our form of society and our form of government continue. Concerning nuclear energy, Mr. Rambin said that all forms of energy, including coal and tar sands, will be needed to meet the growing demands of the future. He said that Texaco research is keeping abreast of developments on all types of energy so that the Company can enter these energy fields when and if it is deemed advisable.

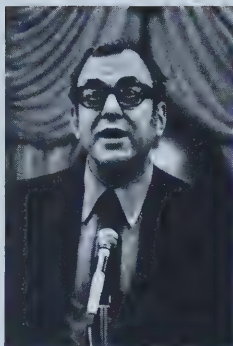
Asked to assess the outlook in the Middle East, Mr. Rambin expressed optimism. We believe, he said, that government officials of the Middle East producing countries realize the benefits that come from the operations of international oil companies with access to world petroleum markets. Oil is virtually worthless without a market, he said, and this situation is recognized by all concerned.

A stockholder asked about the importance of the North Slope area of Alaska as a source of crude oil. Mr. Rambin explained that while this is an important source, it is only one of many sources of crude in the world, many of which are still to be discovered.

In response to a question concerning Texaco's activity in northern Canada, Mr. Rambin said the Company has substantial acreage holdings not far from a recent oil discovery (*Text continues on Page 28*)



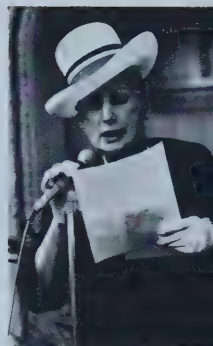
Mrs. Estelle G. Karp...



Charles J. Tanenbaum...



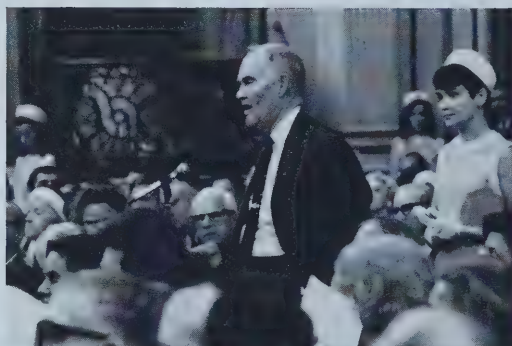
Charles Donen...



Mrs. Beatrice Kelekian...



H. J. Tiedemann...

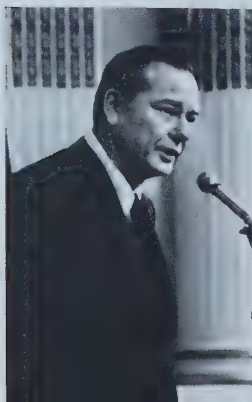


James Rose...

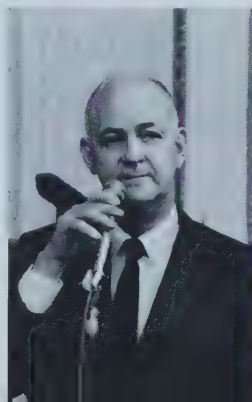
During the Meeting...

A number of stockholders asked questions, made comments, and offered suggestions. The Chairman called on executives of the Company and its auditing firm to respond to certain technical, legal, and financial questions that were raised.

Kerryn King,
Vice President.



Amzy B. Steed, Vice President
and General Counsel.



William R. Love,
Comptroller.

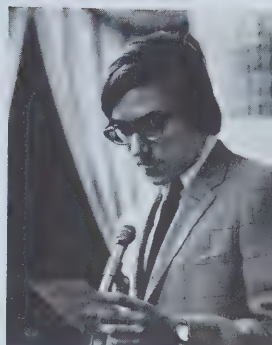




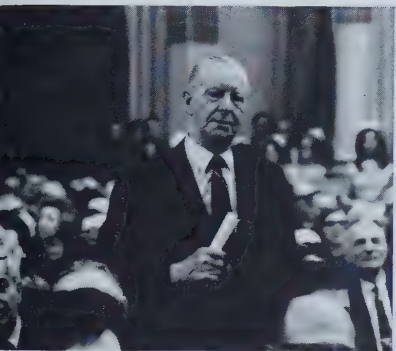
Mohamed Shafik Rahaman...



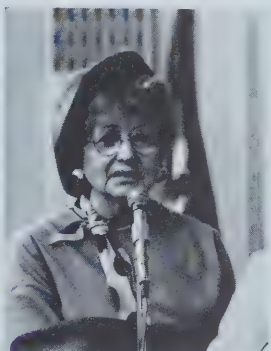
Lillian C. Callahan...



Paul Pignatelli...



John A. Schlegel...

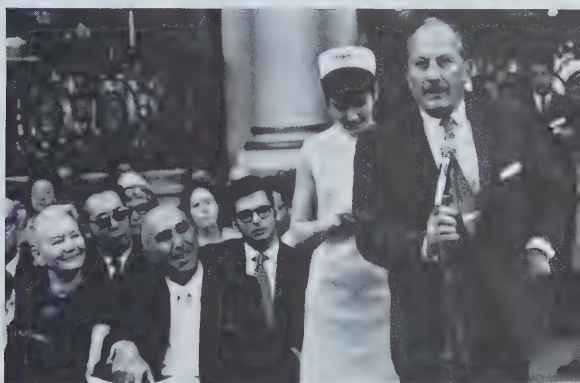


Mrs. Wilma Soss...



Charles H. Degner...

Robert L. May, Partner,
Arthur Andersen & Co.



Wilhelm G. Hansen.

Other speakers, not pictured on these pages, were
Anthony Donatelli and Stanly P. Stephenson.

and that he felt that the Company is fairly well situated in this area.

Asked whether the Company is equipped to manufacture unleaded gasoline, Mr. Rambin explained that the Company was manufacturing and marketing unleaded gasoline on the West Coast in the Los Angeles Basin area. He said he was gratified by the market response so far. However, he emphasized that refining and marketing facilities for wide distribution of unleaded gasoline would require very large investments. In that case, the result would be a substantial increase in the average price of gasoline to the consumer.

Asked about Texaco's land holdings on the North Slope of Alaska and about the Trans-Alaska pipe line, Mr. Rambin explained that he could not comment on the pipe line because Texaco is not a participant in it. With respect to the North Slope, Mr. Rambin said that, at the time of the lease sale last September, the Company decided not to compete for the high-priced acreage close to the discovery area but to bid for exploration acreage instead. He said the Company is pleased with the acreage it obtained.

A stockholder asked about the current status of the Company's litigation against Occidental Petroleum Company, involving alleged misappropriation of Texaco's confidential geologic data, particularly concerning Peru.

Mr. Rambin asked Amzy B. Steed, Vice President and General Counsel, to respond. Mr. Steed briefly outlined the current status of the pending litigation.

A stockholder asked what the Company's past growth rate had been and what growth rate the Company expects in the future. Mr. Rambin said he did not believe it appropriate for him to try to indicate what the growth rate will be, other than to say that we definitely expect the growth rate of the industry to be good and that the Company will participate in this growth as it has in the past. He pointed out that the Company's average growth rate through the years has exceeded the average for the industry.

In reply to a question concerning Company expenditures for air and water conservation, Mr. Rambin said capital and operating expenditures were in the neighborhood of \$40 to \$50 million a year.

Asked what effect Russia's penetration of the European oil market would have on Texaco's marketing operations there, Mr. Rambin said that, because of the tremendous growth of European energy demand, the Company does not anticipate any detrimental effect.

A stockholder complimented the Company on its sponsorship of the Saturday afternoon broadcasts of the Metropolitan Opera. Mr. Rambin

thanked the stockholder and said that some of the warmest letters he receives are in connection with these broadcasts.

A malfunction of the communication system that linked the two meeting rooms prevented a representative of the Quaker Action Group, which holds Texaco stock, from gaining the attention of the Chairman during the latter part of the meeting. Mr. Rambin later answered the question by letter and advised the questioner that the question and answer would be included in the post-meeting report to stockholders.

The Quaker Action Group asked where Texaco ranks among the leading defense contractors and what Company products and services account for the ranking. Mr. Rambin replied that Texaco was listed as No. 52 on a list of 100 leading contractors to the U. S. Defense Department for the fiscal year ended June 30, 1969. Sales to the Defense Department during this period, he said, consisted, in the order of magnitude, of residual fuel, aviation jet fuel, distillate fuels, and gasolines. The total amount of Texaco's sales accounted for 0.34% of the net value of the Defense Department's prime contract awards to all companies for that year and represented a very small proportion of Texaco's total sales volume of all petroleum products.

After it was moved to adjourn, the Chairman expressed his appreciation to the stockholders present for their interest in attending the meeting. We hope that our performance in the future will continue to keep you proud of this Company, he said, as we in it are proud of it. It is a tremendous organization, and it is a tremendous team effort, and I consider that every one of us is most fortunate to be a part of it, he concluded. The meeting was adjourned at 12:30 p.m.

Dividend Action

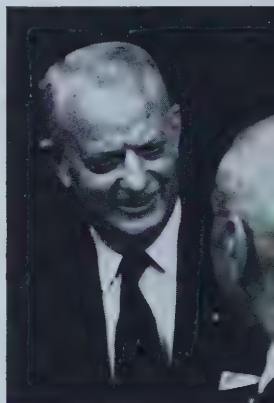
Immediately after the Annual Meeting, the Board of Directors of Texaco Inc. met and declared the regular quarterly dividend of 40 cents a share, payable June 10, 1970, to stockholders of record on May 8, 1970.



Chairman Rambin talks with a stockholder at the conclusion of the meeting.

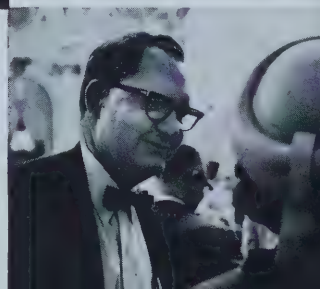


President Epley (center) meets with stockholders.



Director Arleigh Burke.

Director Robert V. Roosa.



After the Meeting . . .

Texaco's Directors, all of whom were present at the meeting, discussed Company matters with stockholders. The Directors welcome opportunities to exchange views with stockholders in order to carry out fully their responsibilities on behalf of the owners of the Company.



Director Lester J. Norris (left).



Director Augustus C. Long.



Director Henry U. Harris.



Director George Parker, Jr. (right).

Director Langbourne M. Williams (center).



Texaco Inc. and Subsidiary Companies

Interim Report

for the First Three Months

Financial Data

	For the three months ended March 31, 1970	For the three months ended March 31, 1969
Net income per share†	\$.75	\$.73
Dividends per share†	\$.40	\$.35
Average number of shares outstanding†	272,513,000	272,535,000
Capital and exploratory expenditures	\$ 186,695,000	\$ 157,664,000
Working capital (end of period)	\$ 1,144,179,000	\$1,141,486,000
Long-term debt (end of period)	\$ 1,050,299,000	\$1,070,594,000
Total assets (end of period)		
Texaco Inc. and subsidiary companies	\$ 9,379,673,000	\$8,875,881,000
Equity in total assets of nonsubsidiary companies	879,000,000	853,000,000
Total	<u>\$10,258,673,000</u>	<u>\$9,728,881,000</u>

Operating Data—including equity in affiliates

Barrels a day

Gross production of crude oil and natural gas liquids:		
Western Hemisphere	1,343,000	1,241,000
Eastern Hemisphere	<u>1,844,000</u>	<u>1,703,000</u>
Total worldwide	<u>3,187,000</u>	<u>2,944,000</u>

Refinery runs:

Western Hemisphere	1,568,000	1,438,000
Eastern Hemisphere	<u>1,178,000</u>	<u>1,044,000</u>
Total worldwide	<u>2,746,000</u>	<u>2,482,000</u>

Petroleum product sales:

Western Hemisphere	1,793,000	1,691,000
Eastern Hemisphere	<u>1,269,000</u>	<u>1,178,000</u>
Total worldwide	<u>3,062,000</u>	<u>2,869,000</u>

Thousands of cubic feet a day

Natural gas sales:

United States	4,079,000	3,543,000
Outside United States	<u>195,000</u>	<u>205,000</u>
Total worldwide	<u>4,274,000</u>	<u>3,748,000</u>

†Reflects the two-for-one stock split distributed August 8, 1969.

Statement of Consolidated Income

Gross Income:

	For the three months ended March 31, 1970	For the three months ended March 31, 1969
Sales and services	\$1,553,220,000	\$1,448,972,000
Dividends, interest, and other income	97,859,000	89,918,000
	<u>\$1,651,079,000</u>	<u>\$1,538,890,000</u>

Deductions:

Costs and operating expenses	\$1,037,390,000	\$ 967,677,000
Selling, general and administrative expenses	144,566,000	134,732,000
Dry hole costs	14,352,000	7,673,000
Depreciation, depletion, and amortization	93,123,000	87,026,000
Interest charges	18,701,000	18,483,000
Taxes other than income taxes	54,124,000	47,597,000
Provision for income taxes—current	67,500,000	46,925,000
—deferred	13,685,000	27,023,000
Minority interest in net income	2,215,000	1,743,000
	<u>\$1,445,656,000</u>	<u>\$1,338,879,000</u>

Net Income	\$ 205,423,000	\$ 200,011,000
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Both quarters reflect the consolidation in 1969 of the accounts of subsidiary companies operating in Brazil, which had previously been excluded from consolidation.

These statements are subject to adjustments and year-end audit.



Buy the best—buy Texaco